

19 Questions Answered

by Douglas E. Richards, ChFC® , CFP® ,AIF® , AIFA®

On August 25th 2017 in the Wall Street Journal MONEYBEAT Blog Jason Zweig posted "Nineteen Questions to Ask your Financial Advisor". This was meant to create awareness amongst consumers of what they should know about their advisors. As a financial advisor, after reading it, I knew I had to write down my answers. Below are my answers and thoughts.

1. ***Are you always a fiduciary, and will you state that in writing?*** Yes. As a financial planner my job is to help you develop a road map for reaching your goals. Working for you, my job is not to sell you products. As a flat fee only planner I do not sell products. If you need a product or service I am happy to recommend professionals to help you, and with your express written permission can work with them as an extension of your planning.
2. ***Does anybody else ever pay you to advise me and, if so, do you earn more to recommend certain products or services?*** No. You pay a flat fee or hourly rate for the time, service and advice that comes with over thirty years of experience. This will be not colored by any interests other than yours.
3. ***Do you participate in any sales contests or award programs creating incentives to favor particular vendors?*** No. I chose to be a flat fee only advisor because working with you to help you reach your financial goals is one of the greatest rewards.
4. ***Will you itemize all your fees and expenses in writing?*** Yes. Prior to beginning your engagement we will review your engagement checklist. Your checklist outlines your fees and the services to be delivered in your planning. At least every three years you will receive a comprehensive fee review that will tally your fees and express them as a percentage of your investment assets.
5. ***Are your fees negotiable?*** Yes. It is your plan. Fees will vary based on the complexity of the situation and the number of meetings to monitor and review your planning.
6. ***Will you consider charging by the hour or retainer instead of an annual fee based on my assets?*** Yes. You won't pay an asset based fee at our firm outside of fund expense ratios. Most of our client relationships start with a twelve month financial planning agreement defined by our engagement checklist. At the conclusion of the year you decide if we continue for an extended term for plan updates and investment monitoring or if you would rather continue on an hourly basis.
7. ***Can you tell me about your conflicts of interest, orally and in writing?*** Yes. Conflicts are best when they are avoided. As a flat fee only planner there are no potential conflicts from commissions or additional fees not agreed to. (alaCarté pricing).
8. ***Do you earn fees as advisor to a private fund or other investments that you may recommend to clients?*** No. My recommendations focus on general asset classes with some limited sector rotation. I recommend that you use no-load indexed investments to build and maintain your portfolio.
9. ***Do you pay referral fees to generate new clients?*** No.

- 10. Do you focus solely on investment management, or do you also advise on taxes, estates and retirement, budgeting and debt management, and insurance?** As a financial planner I focus on your goals and your needs and am not exclusively an investment manager. In my career I have helped many businesses and clients with less than traditional financial guidance. I get paid to help you address your challenges and build a plan with you for what's most important. How can anyone manage your investments unless they understand what you are investing for?
- 11. Do you earn fees for referring clients to specialists like estate attorneys or insurance agents?** No. I am happy to work with your attorney, your accountant or your insurance broker. If you need a referral to a professional I am happy to help and am not compensated for this.
- 12. What is your investment philosophy?** It begins with refining what you are investing for. With your goals in mind then determine what you would like and need your investments to do for you. Factors such as your attitudes towards risk, returns as well as how much time you have for your investments to work for you need to be accounted for. Your goals, time horizon and risk tolerance will give you a starting point on how you should invest. After this we can help you with portfolio advice, monitoring and rebalancing.
- 13. Do you believe in technical analysis or market timing?** No. Time in the market is more important than timing the markets. Charting what happened before in the markets or technical analysis is not a solid basis for the long term guidance of your investment portfolio. You've probably heard past performance is no guarantee of future returns. We believe that investing in low cost unmanaged funds based on market indices for your risk tolerance and goals maybe the best option for building portfolios.
- 14. Do you believe you can beat the market?** No. We do believe that if you can't beat 'em join 'em!
- 15. How often do you trade?** Rarely. You probably should not be trading more than a few times a year and then only to rebalance your portfolio, replace investments, harvest gain or losses, or to put additional monies to work for you.
- 16. How do you report investment performance?** Clients are sent regular monthly reports for the performance of their fund holdings. These reports group funds by asset and then they are measured to their peer group to their and respective benchmarks. This is done for any of the funds in our system including retirement plans. We rely on your investment custodians' to communicate with you the performance of the assets you've invested with them. With financial planning software we can monitor your investment balances and allocations over time but not give you portfolio performance figures.
- 17. Which professional credentials do you have, and what are their requirements?** I have earned and maintain six professional designations in my career. Among this are the Chartered Financial Consultant and Certified Financial Planner Designations. Please refer to the table on the next page for a comprehensive listing of my designations and each designation's requirements.
- 18. After inflation, taxes and fees, what is a reasonable estimated return on my portfolio over the long term?** After Inflation, taxes and fees between two to five percent annually may be reasonable depending on your risk tolerance and time horizon.
- 19. Who manages your money?** I do. The same strategies discussed in your planning are the strategies I use with my family's investments.

Douglas E. Richards's Professional Designations

Designation Name	Granting Institution	Acronym	Year Completed	Course Requirements	Code of Ethics	Continuing Education Required
Chartered Life Underwriter®	The American College	CLU®	1999	10 Parts, each with a two hour exam on a variety of insurance and financial topics	Yes	Thirty hours every two years
Chartered Financial Consultant®	The American College	ChFC®	1999	Builds on the CLU® with three additional parts each with a two hour exam, focusing on: estate, business and financial planning	Yes	Thirty hours every two years
Certified Financial Planner®	Certified Financial Planner Board of Standards	CFP®	2003	Ten hour exam in three parts covering the five key areas of financial planning	Yes	Thirty hours every two years
Accredited Investment Fiduciary®	Center for Fiduciary Studies	AIF®	2016	Two hour exam covering the fundamental expectations and practices for an investment fiduciary	Yes	Six hours annually
Accredited Investment Fiduciary Analyst®	Center for Fiduciary Studies	AIFA®	2021	Six hours of in class case study analysis with work requirements outside of class with review and analysis of a hypothetical firm	Yes	Ten hours annually

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It is your money. How your financial advisor answers these questions may have an enormous impact on your investments and your future.

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