

Questions to Ask an Investment Advisor

When we have the opportunity to meet with potential clients, we often are asked a wide range of questions. Some clients ask very pointed questions, while others admit they are not sure if they are asking the right questions. We feel some of the most important questions to ask your current or prospective investment advisor are listed below in no particular order:

1) What services do you offer?

An advisor should outline what his or her services include. How often will you meet? Will you get a financial or retirement plan? What reports will they provide? Do they offer additional services such as insurance solutions or estate planning strategies?

2) How much money do you manage and how many clients do you have?

We find most clients want to deal with an advisor who will be there for many years to come. This question will provide insight as to what their typical client looks like and if they have been successful. We feel it is prudent to know how well you fit within their target market or existing clientele.

3) What products do you offer?

Currently, many firms and advisors are licensed with the Mutual Fund Dealers Association (MFDA) or the Invest-

ment Industry Regulatory Organization of Canada (IIROC). Often these individuals can only offer their firm's products thus limiting options and truly not offering an unbiased recommendation.

Historically, the "Big Banks" acted as brokerages. Now they are known as Wealth Management offices and offer virtually several investment products: stocks, bonds, mutual funds, exchange traded funds (ETFs), alternative investments, commodities and insurance. Generally, brokerages are not limited to offering their own products, thereby giving investors more choices and avoiding potential bias.

4) What fees will I pay?

Regulators are working hard to ensure that costs are transparent. It is important for investors to understand all costs to investing and what they are getting in return. Are there any hidden or embedded fees and/or deferred sales charges, etc.? It can be worthwhile to ask what the fees are in terms of dollars and percentages.

5) How are you compensated?

Today, there are many ways for advisors to make money: salary, commissions, bonuses and fee-based are some of the most common types. Our industry is moving more towards the fee-based model, where investors pay a fee as a percentage based on the assets they have with a firm. Typically, services such as building and maintaining portfolios, wealth planning and trading costs are included.

There are many reasons for the move towards fee-based compensation, among the most important is removing hidden compensation. This aligns an investor's objectives with those of the advisor and can help

remove potential product bias that may offer the advisor a larger commission.

6) What are your credentials?

There are too many credentials and titles in our industry. However, it is worth knowing that the Portfolio Manager title carries a fiduciary duty obligation to their clients. Similar to doctors and lawyers, they are legally bound to always put their clients' interests first.

Another important credential that we feel advisors should have is either the Certified Financial Planner (CFP®) or Personal Financial Planner (PFP) designation as this means that they have completed substantial training and certification specific to financial planning.

7) What is your investment philosophy?

Advisors should be able to explain their strategies in a simple way. How do they pick their investments? What research do they do? For example, we put ours in writing "Our Investment Philosophy and 10 Core Beliefs".

Above all, you should feel comfortable with your advisor and that they are a good personality match. The best relationships are ones where people share their information, dreams, finances and working together towards achieving what truly matters to them and their families.

The above questions are by no means exhaustive, but will hopefully give you a better understanding of the advisor(s) you are meeting with.

Until next time...
Invest Well. Live Well.



Eric Davis
Vice President & Portfolio Manager
eric.davis@td.com
250-314-5120

Keith Davis
Investment Advisor
keith.davis@td.com
250-314-5124

TD Wealth Private Investment Advice

daviswealth.ca

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