

Advisor evaluation tool

Financial Advisor Comparison/Decision Matrix		
Benefit	Camarda	Your Advisor
Advisors fiduciary/must put you first?		
Extensively trained advisors? (CFP/ChFC/CLU/CFA/CMT/EA/CPWA/MSFS)		
Fee-only/no commission portfolio management?		
Institutional-grade Portfolio Board?		
Clear explanations of costs you pay?		
Personal advisor who knows <i>you</i> ?		
Quarterly service/update calls to you?		
Comprehensive annual reviews?		
Ongoing portfolio adjustments?		
Ongoing stock watch/sell alerts?		
National rankings & recognition (Barron's, WSJ, etc.)?		
Asset protection planning expertise?		
Estate planning expertise ?		
Tax managed investment planning?		
Retirement planning expertise?		
Robust staff, long term succession plan?		
Referrals to vetted attorneys, CPA's, etc?		

Advisor Scoring Checklist

Credentials

General Financial Planning

- CFP®
- ChFC®
- PFS®

Advanced Financial Planning

- CPWA®
- MSFS® (or other Master's Degrees in Financial Planning)

Life Insurance

- CLU®

Estate Planning

- AEP
- MSFS®

Investments

- CFA®
- CIMA®

- Tax
- CMT™
 - E.A.
 - CPA
 - MTAX (Master's in taxation)

Grading Your Financial Advisor: An Easy Report Card

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The following report can be used in several ways. The first section is a quickly-read overview, and will help you form an overall impression of your advisor's comparative score. Section two applies the concepts to specific questions, with numerical scores that will produce an overall "grade." While either section can be used independently, reading section one, and then completing section two, will produce the highest quality judgment of your advisor's value as a professional to you.

Section One

- **Disclosure** Does your advisor tell you – *and* put in writing – everything you need to know to make an informed decision? Do you feel you understand costs, fees, risks, and conflicts of interest adequately?
- **Objectivity** Do you feel that your advisor makes recommendations purely in your best interest? Do you wonder if recommendations are made to benefit the advisor more than you?
- **Stand-Behind** If misunderstandings or outright mistakes have occurred, does your advisor accept responsibility and make things right without cost or attempt to assign blame to you? Have mistakes and lack of accountability cost you money?
- **Disciplinary History** Has your advisor – or their employer – had complaints from clients or action from regulators? This information is typically found at brokercheck. Have you checked? Does there seem to be a pattern of problems?
- **Portfolio Turnover** Do changes – or pleas to change – seem to occur frequently and for reasons you believe due more to commissions than prudent management? Do you

suspect your portfolio is managed to target *your* wealth objectives, or for some other agenda?

- **Employer Turnover** Has your advisor moved around a lot, frequently finding greener pastures, and asking you to come along for the ride, producing extra work and expense for you? Do these changes impress you as being more for your or their benefit?
- **Proprietary Products** Does your advisor frequently suggest that their employers' – or a collection from brands that their employer seems to favor – products are best in an unusually high number of instances? Do you wonder if these products are recommended because they are really best for you, or if because they are more profitable for your advisor and their employer?
- **Reporting Clarity** Do your statements clearly show you how much money you make or lose, clearly showing effects of cash flows, and disclosing all fees and expenses? Do they tie all your accounts together in one easy, informative format? After reading them, do you *know*, or instead grab a calculator, scratch your head, and just hope for the best?
- **Credible Answers** When you ask questions, do you get easy-to-understand answers that make sense, and your advisor is willing to put in writing and will actually deliver? Or are the answers so convoluted that you question their understanding, or willingness to be completely forthcoming?
- **Wealth Management Simplification** Does your advisor have the skill and concern for what is best for you in order to consider recommendations that are coordinated with your overall life objectives – considering estate, retirement, college, tax, investment, risk-management, and special items of interest to you – instead of focusing on their own particular business interests?
- **Contact frequency/quality** Does your advisor reliably stay in touch to update you with important information affecting your situation, remind you of how important your relationship is, and stay apprised of changes in your life so as to constantly upgrade the advice they render to help you adapt to changing needs?
- **Life Simplification** Does your advisor's service help to simplify your life – maximizing your wealth and at the same time freeing you to spend less time worrying? Does it seem the strategies optimize your assets for your goals and dreams? Overall, do you feel they help you work less, and gain more?
- **Risk and Suitability** Does your portfolio seem to be a good fit for you, or is it too risky – go down too much in bad markets – or too conservative – not make enough of a return to satisfy you – for your needs and disposition? How well matched are recommendations with your situation?
- **Service Speed and Accuracy** Are your instructions quickly executed, with error rates approaching zero? Are your calls returned promptly – in a day or less? When you request information, do you get what you want fast and without hassle, in a format that understandably answers your questions?
- **Investment Performance** Does your portfolio seem to show the kind of profit you expect? Does it consistently meet or exceed market indexes without excessive risk? Do you know if you've done as well as clients of the best professional money managers?
- **Risk Control** Is your portfolio structured to control risk, so that pieces balance and it is unlikely that everything will go down at the same time, such as a tech-heavy account in the early 2000's? Has your advisor explained the risk control techniques to your satisfaction, and have they proved effective by protecting your money in down markets?

- **Service Commitment** Do you know to what scope of service your advisor is committed, both legally and professionally? Have you purchased an investment *product* with no required ongoing service (other, perhaps, than lip service), or have you engaged for ongoing *service* of your investment needs? If there is service, is it described in a contract or agreement with your advisor? Does it require regular, ongoing reviews of your situation and portfolio? How frequently? With what degree of rigor?
- **Fiduciary Capacity** Does your advisor accept fiduciary allegiance to you? This means they accept legal liability to always act in your best interest, and be driven by your needs over their own pay or their employer's directives. Have they put in writing that they are fiduciaries acting solely in your best interest?
- **"Pure" or "Incidental" Advisor?** Is your advisor a "pure" registered investment advisor, whose only business is advice, or an "incidental" advisor, such as a brokerage house, bank, or insurance company, whose advice is "incidental" to their sale of products? Incidental advisors are exempt under the SEC's "Merrill Lynch Rule" from fiduciary accountability to you for their recommendations; "pure" advisors are fully liable for their advice.
- **Cost to Terminate** Are there significant costs to you if you decide to do something else with the money? Are "redemption fees," "surrender charges," "back-end loads," account termination fees, or sales commissions imposed if you decide to get out?
- **Compensation** What you pay is critical, but frequently poorly communicated to clients by advisors. The most common, in order of prevalence, are: *commission* (sales agent for employer paid to sell you product, duty to employer, not you); *fee-based* (sales agent paid commission by employer for product sales and to collect fees for service, conflicted duty but mostly to employer, not you); and *fee-only* (only compensation is fees paid by you, duty is to you only as fiduciary). The compensation structure tells you a lot about the duty (or lack) to you, and bears close examination. If confused, in doubt, or overwhelmed by material, request (and insist on receiving) a simple one-page letter describing the compensation structure and duty to you.
- **Total Product Costs** Today's investment products can be extremely complex, with many imbedded costs that are not easy for clients (or even investment reps, who may care more about figuring their commissions than the costs to you) to ferret out and understand. Be sure you receive detailed disclosure on all costs, including compensation, product costs (including surrender charges, market value adjustments, trading charges, management, and other expenses). If unsure (and most investors should be) request (and insist on receiving) a simple one-page letter describing all costs and charges, both at product, distribution, and liquidation levels.
- **Credentials** The financial world is extremely involved, and, like most professional endeavors, demands extended study for proficiency. While no panacea, professional educational credentials demonstrate at least an attempt at mastery. Look for advanced academic degrees in finance (or the somewhat less pertinent disciplines of economics, business, or accounting), or worthy professional designations like CFP, ChFC, PFS or CFA.
- **Clear, simple answers to questions** This is a great litmus test that is often overlooked. There is nothing in investments that can not be simply explained to the layperson of average intelligence, so that the concept is understood. When you ask questions, do you get reasonable, easy to grasp answers? Or are the responses hopelessly technical or

mystifying? If the answers are not clear, it means one of only two things, neither good: the adviser does not know the answer, or knows but does not want to tell you.

- **References** The experience of other of the advisor's clients offers a rare window on what you can expect. Is the advisor willing to give you the names and numbers of more than a few "pet" clients willing to speak off the record of their experience with the advisor? While the SEC's "no testimonials" rule may inhibit firms from advertising that they offer references, those that make them available will give some to you if you remember to ask.
- **Clarity of duty** What, exactly, are you getting when you engage the advisor? Is there a clearly described set of functions you can rely on them to deliver? Or a loose expectation that they will make recommendations or sell products when the opportunity presents itself? Financial services are usually expensive, even if the costs are not clear, as is often the case. Do you know exactly what you are buying, even if unclear as to what you are paying?

Section Two

Disclosure

- Does your advisor tell you – *and* put in writing – everything you need to know to make informed decisions?

2 – All fees, costs, any conflicts, and what I get for what I pay is clear
1 – Some attempts made but still unclear on costs, duties, and conflicts
0 – This information not forthcoming or intentionally concealed
- Do you understand costs, fees, risks, and conflicts of interest adequately?

2 – Yes – it is well and frequently explained
1 – Think so but really not sure
0 – No, or suspect hidden costs/conflicts that I should know about

Objectivity

- Do you *know* that your advisor makes recommendations purely in your best interest?

2 – Have no doubt
1 – Hope so but sometimes wonder if there's a commission motive
0 – Think they care more about their pay than my best interests
- Do you wonder if recommendations are made to benefit the advisor more than you?

- 2 – No, my advisor's incentive matches my interests
- 1 – Sometimes wonder
- 0 – Believe so

Accountability

- If misunderstandings or outright mistakes have occurred, does your advisor accept responsibility and make things right without cost or attempt to assign blame to you?
 - 2 – I'm made whole quickly & advisor even points out his mistakes
 - 1 – Advisor makes good but it's like pulling teeth
 - 0 – Does not acknowledge or correct mistakes

- Do you wonder if mistakes and lack of accountability have cost you money?
 - 2 – No
 - 1 – Yes
 - 0 – It clearly has

Disciplinary History

- Has your advisor – or your advisor's employer – had complaints from clients or action from regulators? (For companies, this information is typically found in news stories. For individual advisors/ reps/planners, you can check by name on the at nasdr.com and myflorida.com). Reports of problems should be a major concern
 - 2 – No complaints or disciplinary history
 - 1 – A few complaints
 - 0 – Pattern of problems

Portfolio Turnover

- Does your advisor make changes to your portfolio – or urge you to change – for reasons you believe are due more to commissions than prudent management?
 - 2 – Never – changes well-reasoned and for my good
 - 1 – Sometimes calls seem more for sales than management
 - 0 – Believe all changes suggested mostly to benefit advisor

- Do you suspect your portfolio is managed to advance some agenda other than your own?
 - 2 – No
 - 1 – Not sure
 - 0 – Think my advisor and their employer come first

Employer Turnover

- Does your advisor change affiliations to find greener pastures and ask you to come along for the ride, producing extra work and expense for you?

2 – Never
1 – At least once
0 – Several times or more

- Do you believe these changes are more for your advisor's benefit than yours?

2 – No
1 – Not sure
0 – Think my advisor's career and income come first

Proprietary Products

- Does your advisor suggest that products offered by his or her employers – or a collection of products from brands that the employer seems to favor – are best for you in an unusually high number of instances?

2 – Always
1 – Sometimes
0 – Never

- Do you wonder if these products are recommended because they are really best for you or because they are more profitable for your advisor and his or her employer?

2 – Always
1 – Sometimes
0 – Never

Reporting Clarity

- Do your statements clearly show you how much money you make or lose, clearly showing effects of cash flows, and disclosing all fees and expenses?

2 – Always
1 – Sometimes
0 – Never

- After reading them, do you *know* the status of your accounts, or instead grab a calculator, scratch your head, and just hope for the best?

2 – Always
1 – Sometimes

0 – Never

Credible Answers

- When you ask questions, do you get easy-to-understand answers that make sense, and is your advisor willing to put these answers in writing and actually deliver? Or are the answers to your questions so convoluted that you question your advisor's understanding or willingness to be completely forthcoming?

2 – Get clear answers nearly always

1 – Sometimes get credible answers

0 – Never get straight answers

Wealth Management Simplification

- Does your advisor exhibit the skill and concern for your best interests that allow him or her to consider recommendations that are coordinated with your overall life objectives, such as estate, retirement, college, tax, investment, risk-management, and special items of interest to you?

2 – Knows me well, knows what they're doing, takes care of me

1 – Sometimes tries to optimize my "big picture"

0 – Does not seem to know or care what is best overall for me

Contact frequency/quality

- Does your advisor call and/or meet with you frequently to update you with important information affecting your situation, remind you of how important your relationship is, and stay apprised of changes in your life so as to constantly help you adapt to changing needs?

2 – Frequent, quality contact designed to serve, not sell

1 – Occasional contact besides sales calls

0 – Contact infrequent or rare or pure "sales" calls

Life Simplification

- Does your advisor's service help to simplify your life – maximizing your wealth and at the same time freeing you to spend less time worrying?

2 – My advisor makes my financial life very easy to deal with

1 – Financial life is complicated but manageable

0 – I get lots of confusing statements, but little quality info or help

- Does it seem the your advisor's strategies optimize your assets for your goals and dreams?

2 – My advisor's actions track my goals specifically

1 – There are some efforts to have recommendations pace goals

0 – My goals are not asked about or are not followed

- Overall, do you feel your advisor helps you work less and gain more?

2 – Strongly agree

1 – Somewhat agree

0 – No

Risk and Suitability

Does your advisor take the time to get to know you - and keep up with your changing situation - and make recommendations that seem well suited to who you are and what you want?

2 – Always

1 – Sometimes or not sure

0 – Never

Do investments recommended seem too risky (bigger losses) or too conservative (insufficient returns) than you want, need, and can afford?

2 – Great risk/return match for me

1 – Spotty match or not sure

0 – Poor match

Have losses occurred that seemed much out of proportion to what you were led to expect, or allowed to believe?

2 – Never – risks were clearly explained and understood

1 – Sometimes

0 – I am/was sometimes shocked by the difference between my expectations and what happened

Does your overall portfolio seem to be well balanced with the pieces complementing each other, or does your account seem more like it contains a number unrelated individual investments, which rise and fall on their own instead of as part of a well-engineered whole?

2 – Portfolio seems well integrated

1 – Spotty structure or not sure

0 – No apparent (or explained) relationship between components

Service speed and accuracy

Are your calls returned within one day?

- 2 – Always
- 1 – Sometimes
- 0 – Never

Are questions quickly answered to your satisfaction?

- 2 – Always get straight answers
- 1 – Sometimes clear, sometimes not
- 0 – Never – all I get is jargon or smoke

Are your instructions executed promptly, without excessive cost or error?

- 2 – Always
- 1 – Sometimes
- 0 – Never

Investment Performance

Does your portfolio seem to grow in line with your expectations, and at least pace market averages after all costs and expenses?

- 2 – Yes, and I know it
- 1 – Not sure
- 0 – Pretty sure it does not

Do you believe your return matches that of the best available money managers?

- 2 – Yes, and I know it
- 1 – Not sure
- 0 – Pretty sure it does not

Do you receive transparent reporting that lets you compare – without confusion – your returns to established indexes?

- 2 – Yes, and I know it
- 1 – Not sure
- 0 – Pretty sure it does not

Risk Control

Do you know if your portfolio employs risk control, and if so, has your advisor explained the techniques so that you understand and believe them?

- 2 – Yes
- 1 – Not sure
- 0 – No

The proof is in the pudding. During down markets, have your accounts held up better than you expected from the media, and heard from your friends? Did you sleep better knowing that it was unlikely you would suffer big losses?

- 2 – Yes, my portfolio's been very stable
- 1 – Not sure
- 0 – It's been a roller coaster, and sometimes I don't want to look

Service Commitment

Have you purchased products, like mutual funds, annuities, or stocks or bonds, that seem to receive very little attention once the sale has been completed?

- 2 – No, my portfolio gets regular attention and management
- 1 – Not sure
- 0 – Yes, past sales receive little attention (except to sell something else)

Do you *know* – as opposed to *hope* or *believe* – to what scope of service your advisor is committed, both legally and professionally?

- 2 – Yes
- 1 – Not sure
- 0 – No

Have you purchased an investment *product* with no required ongoing service or have you engaged for ongoing *service* of your investment needs?

- 2 – Sure it is pure service (fee-only)
- 1 – Not sure
- 0 – Products, or products and service (fee-based)

Have you received a written statement describing the services you have purchased and are entitled to receive?

- 2 – Yes
- 1 – Not sure
- 0 – No

Are you receiving detailed, regular, useful reviews that help pace financial changes to your life changes?

- 2 – Yes: frequent, detailed, substantive
- 1 – Occasional reviews with some sales pressure
- 0 – Never, or haphazard, or only for sales purposes

Fiduciary Capacity

Does your advisor accept fiduciary liability that they are liable that the advice they render to you is purely in your best interest?

- 2 – Yes, they have made a point of telling me this
- 1 – Not sure
- 0 – No

Have they put in writing that you have received that they are fiduciaries acting solely in your best interest?

- 2 – Yes, and have it in writing
- 1 – Not sure
- 0 – No

“Pure” or “Incidental” Advisor?

Is your advisor a “pure” registered investment advisor, fully liable for its advice, or an “incidental” advisor, such as a brokerage house, bank, or insurance company, whose advice is “incidental” under the Merrill Lynch Rule to their sale of products, and for which they are not accountable for acting in my best interest?

- 2 – Pure, fee-only advisor
- 1 – Not sure
- 0 – Broker, bank rep, or insurance company agent (Merrill Lynch Rule)

Prudent Expert

Does your advisor adhere to the very highest legal standard for financial advice? Do they give you the same advice at the same cost that an investment expert would take for themselves? Have they (or will they) put it in writing that they accept legal liability for this standard?

- 2 – Yes, and have it in writing
- 1 – Not sure
- 0 – No

Cost to Terminate

Are there significant costs to you if you decide to do something else with the money, such as “redemption fees,” “surrender charges,” “back-end loads,” account termination fees, or sales commissions? Or does the advisor make it easy and pleasant to leave if you feel you no longer wish to purchase their service?

- 2 – No cost, actually will receive unused fee refund
- 1 – Not sure
- 0 – They seem to make it expensive to leave

Compensation

Do you understand clearly what you pay, and what you get for it? Are compensation costs now, and later, carefully explained to you, and do you feel comfortable that they are fair for what you get?

- 2 – Yes, clear and fair, and have it in writing
- 1 – Not sure
- 0 – No, and somewhat uncomfortable

What is the compensation structure?

- 2 – Fee-only, fully disclosed fiduciary
- 1 – Commission only or not sure
- 0 – Fee-based

Do you have it in writing?

- 2 – Yes, have it in writing
- 1 – Not sure
- 0 – No, or have asked but not received

Total Product Costs

Today’s investment products can be extremely complex, with many imbedded costs that are not clear. Have you received detailed disclosure on all costs, including compensation, product, distribution, and liquidation costs? Do you fairly understand them?

- 2 – Yes, clear and fair
- 1 – Not sure
- 0 – No

Have all costs been fully explained in writing to you, in a simple, one-page document?

- 2 – Yes, have it in writing
- 1 – Not sure
- 0 – No

Clear, simple answers to questions

This is a great litmus test. If answers are not clear, it means one of only two things, neither good: the adviser does not know the answer, or knows but does not want to tell you. When you ask questions, do you get reasonable, easy to grasp answers?

- 2 – Always clear answers
- 1 – Sometimes clear, sometimes not
- 0 – Rarely or never

References The experience of other of the advisor’s clients offers a rare window on what you can expect. Is the advisor willing to give you the names and numbers of more than a few “pet” clients willing to speak off the record of their experience with the advisor?

- 2 – Yes
- 1 – Not sure
- 0 – No

Clarity of duty What, exactly, are you getting when you engage the advisor? Is there a clearly described set of functions you can rely on them to deliver? Or a loose expectation that they will make recommendations or sell products when the opportunity presents itself? Financial services are usually expensive, even if the costs are not clear, as is often the case. Do you know exactly what you are buying, even if unclear as to what you are paying?

- 2 – Yes, advisor’s duty is clear, in writing, and what I want
- 1 – Not sure
- 0 – No

Scoring Section Two

Scoring is simple. Just add the point total from your answers (count twice to be sure!) and divide by **X=total number of questions, someone please count!**. Read your advisor’s report card grade below, along with the opinion for the grade.

- A 2.0 Excellent! You seem to be in good hands. Congratulations!
- B 1.6 – 2.0 Good. You would probably benefit from a second opinion, if only to fine-tune an apparently decent program.
- C 1.2 – 1.6 Fair. Shop around.

- D 0.8 – 1.2 Red flag. Attention required. Interview others.
- F less than 0.8 Immediate action seems prudent.