



Annual Reviews & Know Your Client

During a recent audit one of our reps was cited for inadequate notes. His files contained notes making it clear he was meeting/talking with clients on a regular basis. However, they did not contain any indication that suitability information was being reviewed with advisory clients. Remember, advisors are required to meet with each advisory client at least annually. These meetings do not have to be in person, you can use technology ranging from phone calls to webex to fulfill this requirement. You should use this annual review to evaluate and determine continued goals, objectives, risk tolerance and other needs as presented by the client. Determine whether the personal and financial information is still accurate.

There is an Annual Review Checklist available in the forms library (copy attached). It is currently an optional document, but provides a structure for capturing evidence that you have reviewed client suitability. It is therefore best practice to use this form to capture your notes, or as a guide to be sure you are addressing all necessary information in your own note format. Your notes need to be stored in the vault or your CRM.

In conjunction with notes, many of you upload all the documentation reviewed as part of the annual review. This best practice lead to the following inquiry from one of the offices. 'When uploading documents reviewed, is it necessary to upload one set labeled used by rep for review and a second set labeled copies provided to client, to ensure no confusion at a future date should an auditor question whether non-client facing material was shared with the client?' After brainstorming with Margene (who is currently serving on SAI's Sales Assistant Advisory Board...congratulations), their office adopted a coversheet that lists all standard items reviewed during an annual review with space to reference one off pieces and two columns to identify whether the material was used by rep for review/shared with client. They now include that as the first page when uploading all review documents as one file within the vault to reduce need for duplication and ensure clarification.

Although Annual reviews are only a requirement for advisory clients, it is best practice to use the checklist for all clients. You still must meet the Know Your Client requirements by reaching out to them on a regular basis to verify their suitability information is still accurate as well. You never know when a quick review may reveal an opportunity for improved service. For example, last year Pershing IRAs within our group had a maximum contribution limit of \$4,218,000 but only saw contributions totaling \$284,193.42. Of the 674 accounts within this set only 14 had ACH instructions to systematically fund their IRA. If we magnify that by all IRA accounts across all platforms that are within the contribution phase, how much would our AUM grow? Sometimes it is the little things like helping a client set it and forget it that will provide them the most growth towards their ultimate retirement goals.

Also note, Securities America's system doesn't automatically roll the years of experience over at the end of each year so when you do your Know Your Client review it is recommended that you update the client account to reflect the advancement of years of experience since their data was first entered.