



Ten Questions to Ask the Person Managing Your Money

- ⑤ ***What percentage do I pay in fees annually?*** Ask your advisor to include advisory fees, mutual fund operating expenses, sales loads, 12b-1 fees and any other expenses. If the total is much over 1%, ask why.
- ⑤ ***Where is my money held?*** Ask if the advisor himself is the custodian or if there is an independent, third-party custodian. You should have online access to view your account 24 hours a day. If you don't, ask why.
- ⑤ ***What is my investment plan?*** You and your advisor should have a clear, long-term plan in place.
- ⑤ ***Do you get paid to use specific products?*** Ask if the advisor is a broker who gets paid commissions to place trades, or an investment advisor who charges only a fixed percentage based on the value of the assets. If your advisor or broker gets commissions or other compensation for choosing a particular mutual fund, there may be better choices for you.
- ⑤ ***How has my account performed, compared to relevant benchmarks?*** If your advisor compares your account to a benchmark like the S&P 500, ask whether all stocks or funds in the account are comparable to that benchmark (i.e. they hold only S&P 500 large-cap US stocks).
- ⑤ ***How well diversified is my portfolio?*** You should be highly diversified not only across asset classes but within asset classes. Clients at [Passive Capital Management, LLC](#), generally have exposure to more than 11,000 stocks around the world. If your portfolio holds individual stocks or highly concentrated mutual funds, ask why.
- ⑤ ***What is the average "turnover" in the mutual funds in my account?*** If this number is much higher than 25%, ask why. This may be a source of tax inefficiency.
- ⑤ ***What is the expected annualized return of my portfolio? Could I meet my goals through index funds or asset class funds?*** If the answer is "no," ask what value is added by the products used. Are they more or less expensive than a comparable index or asset class fund?
- ⑤ ***How quickly can I have access to my money?*** If your entire account is not liquid within one to three days, ask why.
- ⑤ ***Are you held only to a "suitability" standard or to the higher "fiduciary" standard of care?*** A fiduciary must put the client's needs first. Why would you want it any other way?