KEATING
WEALTH MANAGEMENT

19 Questions to Ask a Financial Adviser

Sophisticated Financial Advice, Delivered With Simplicity

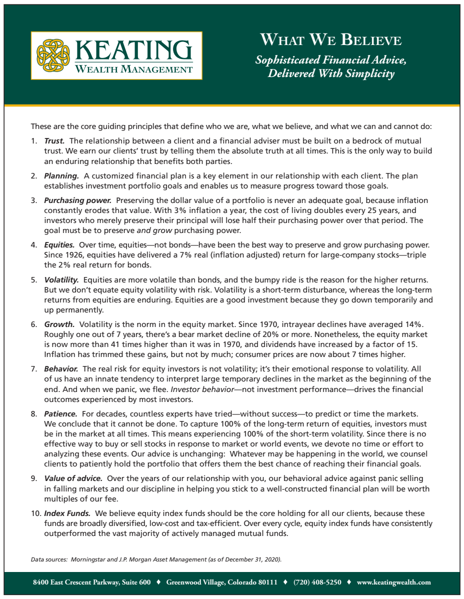
Jason Zweig became a personal finance columnist for *The Wall Street Journal* in 2008 and writes the “The Intelligent Investor” column for the newspaper. In 2017, he wrote a piece titled “The 19 Questions to Ask Your Financial Advisor.”[1] Zweig’s questions, and our responses (in **green**), are set forth below.

1. Are you always a fiduciary, and will you state that in writing? **Yes.**
2. Does anybody else ever pay you to advise me and, if so, do you earn more to recommend certain products or services? **No.**
3. Do you participate in any sales contests or award programs creating incentives to favor particular vendors? **No.**
4. Will you itemize all your fees and expenses in writing? **Yes. We charge an annual fee of 1% of assets under our management at Schwab, 1/12 of which is charged and withdrawn directly from the client’s account monthly in arrears.**
5. Are your fees negotiable? **Yes, with $4 million+ of assets under our management at Schwab.**
6. Will you consider charging by the hour or retainer instead of an annual fee based on my assets? **I’m here for the engaged, long-term relationship. Under certain circumstances, the fee may be negotiable, and in some cases may be set as a fixed dollar amount, payable monthly. However, we do not, and will not, charge by the hour or under any other arrangement.**
7. Can you tell me about your conflicts of interest, orally and in writing? **We’ve tried to build a model with as few as possible. We have a financial motivation to take on additional clients, and this is a potential conflict. However, we’ve actively limited our client list to mitigate this. Also, as our assets grow over time, our fees correspondingly increase as well.**
8. Do you earn fees as adviser to a private fund or other investments that you may recommend to clients? **No.**
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? **We provide comprehensive financial planning and investment advisory services, which includes coordinating with, and incorporating input from, your tax, estate planning and insurance subject matter experts.**

[1] *Source: jasonzweig.com/the-19-questions-to-ask-your-financial-adviser/*

11. Do you earn fees for referring clients to specialists like estate attorneys or insurance agents? **No.**

12. What is your investment philosophy? **See “What We Believe.”**



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What We Believe

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These are the core guiding principles that define who we are, what we believe, and what we can and cannot do:

1. ***Trust.*** The relationship between a client and a financial adviser must be built on a bedrock of mutual trust. We earn our clients’ trust by telling them the absolute truth at all times. This is the only way to build an enduring relationship that benefits both parties.
2. ***Planning.*** A customized financial plan is a key element in our relationship with each client. The plan establishes investment portfolio goals and enables us to measure progress toward those goals.
3. ***Purchasing power.*** Preserving the dollar value of a portfolio is never an adequate goal, because inflation constantly erodes that value. With 3% inflation a year, the cost of living doubles every 25 years, and investors who merely preserve their principal will lose half their purchasing power over that period. The goal must be to preserve *and grow* purchasing power.
4. ***Equities.*** Over time, equities—not bonds—have been the best way to preserve and grow purchasing power. Since 1926, equities have delivered a 7% real (inflation adjusted) return for large-company stocks—triple the 2% real return for bonds.
5. ***Volatility.*** Equities are more volatile than bonds, and the bumpy ride is the reason for the higher returns. But we don’t equate equity volatility with risk. Volatility is a short-term disturbance, whereas the long-term returns from equities are enduring. Equities are a good investment because they go down temporarily and up permanently.
6. ***Growth.*** Volatility is the norm in the equity market. Since 1970, intrayear declines have averaged 14%. Roughly one out of 7 years, there’s a bear market decline of 20% or more. Nonetheless, the equity market is now more than 41 times higher than it was in 1970, and dividends have increased by a factor of 15. Inflation has trimmed these gains, but not by much; consumer prices are now about 7 times higher.
7. ***Behavior.*** The real risk for equity investors is not volatility; it’s their emotional response to volatility. All of us have an innate tendency to interpret large temporary declines in the market as the beginning of the end. And when we panic, we flee. *Investor behavior*—not investment performance—drives the financial outcomes experienced by most investors.
8. ***Patience.*** For decades, countless experts have tried—without success—to predict or time the markets. We conclude that it cannot be done. To capture 100% of the long-term return of equities, investors must be in the market at all times. This means experiencing 100% of the short-term volatility. Since there is no effective way to buy or sell stocks in response to market or world events, we devote no time or effort to analyzing these events. Our advice is unchanging: Whatever may be happening in the world, we counsel clients to patiently hold the portfolio that offers them the best chance of reaching their financial goals.
9. ***Value of advice.*** Over the years of our relationship with you, our behavioral advice against panic selling in falling markets and our discipline in helping you stick to a well-constructed financial plan will be worth multiples of our fee.
10. ***Index Funds.*** We believe equity index funds should be the core holding for all our clients, because these funds are broadly diversified, low-cost and tax-efficient. Over every cycle, equity index funds have consistently outperformed the vast majority of actively managed mutual funds.

Data sources: Morningstar and J.P. Morgan Asset Management (as of December 31, 2020).

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13. Do you believe in technical analysis or market timing? **No! See “What We Believe,” #5, #7 and #8.**

14. Do you believe you can beat the market? **No. See “What We Believe,” #10.**

15. How often do you trade? **If we have new cash to invest, or if you need cash from the portfolio for the living expenses or the like, that’s a trade. Otherwise, as seldom as possible, ideally once or twice a year at most, and typically as part of a systematic rebalance program.**

16. How do you report investment performance? **After all expenses, on a total return basis, compared to benchmarks similarly computed, over the short- and long-term.**

17. Which professional credentials do you have, and what are their requirements? **A.B., Harvard College, *cum laude* (1985), Investment Adviser Representative.**

18. After inflation, taxes and fees, what is a reasonable estimated return on my portfolio over the long term? **Assuming a 10% historical return for large cap equities, a historical inflation rate of 3%, and a 1% advisory fee, the estimated return (before taxes) for an all equity portfolio would be 6%. For a 90% stocks, 10% cash portfolio, the estimated return after inflation, taxes and fees would be 4 - 5%.**

19. Who manages your money? **I do, and I invest in the same assets I recommend to clients.**

I certify that these responses are true, accurate and complete.

Timothy J. Keating

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