CFA INSTITUTE

Setting the global standard
for investment professionals

WHAT EVERY INVESTOR SHOULD KNOW

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MARATHON
STRATEGIC ADVISORS, LLC

Choosing a Financial Advisor

The relationship between you and your financial advisor is an important one, and there are questions you should ask before proceeding. As with any important personal decision, you should devote time to making a careful evaluation of your situation, requirements and alternatives. It is impossible to guarantee the performance of a financial advisor, but asking the right questions can help you make the most appropriate choice for your needs.

CFA Institute has created this fact sheet to answer North American investors' most commonly asked questions. You can learn more by visiting other Educated Investor fact sheets, such as *Managing the Relationship Between You and Your Advisor*. Additionally, investors may access Web links for investor organizations outside of North America (or see the list at the end of this document).

WHY SHOULD I USE A FINANCIAL ADVISOR?

There are many events that motivate people to seek professional investment advice: you may have recently received a large sum of money, gone through a major life change (such as marriage, divorce, the birth of a child, the death of a spouse, etc.) or recently retired. You may also find it appropriate to seek advice when you no longer feel comfortable managing your own investments or if you are concerned about unexpected financial changes that may occur in the future.

Do-it-yourself investors typically are not as skilled as professional financial advisors at identifying potential risks associated with different types of investments. Additionally, the demands and complexities related to managing your investments (time, regulations, tax laws, and even the impacts of global events on the marketplace) can make personal portfolio management a difficult task for even the most diligent individual investor.

Regardless of your net worth, selecting an investment professional who has been tested on and commits to a strict code of ethics, such as a CFA charterholder, can be a wise decision. For example, an April 2002 *Financial Planning* magazine article reported that approximately 80 players in the National Football League were defrauded of $42 million by unethical financial advisors since 1999. To meet the investment needs of its players, the NFL Players Association has

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developed the Registered Player Financial Advisor program that sets professional requirements for all financial consultants who want to advise NFL athletes. To be eligible for this designation, applicants must hold a bachelor's degree from an accredited college, plus either an MBA or a professional designation such as the Chartered Financial Analyst credential.

Once you decide to use the services of a financial advisor, you should then work on determining what you want to do with your investments. The CFA Institute fact sheet *Defining Your Investment Objectives* may be a good starting point to help you consider your financial horizons and challenges.

WHICH TYPES OF FINANCIAL ADVISORS ARE BEST FOR ME?

In the past, the services provided by different types of financial advisors were clearly defined and separated by law. However, recent regulatory changes have given individual financial advisors more flexibility to provide more types of services. As a result, your choices may seem less clear.

Not all investment advisors are equally qualified or best suited to help you meet your specific investment needs. Not only do advisors have different educational and professional backgrounds, but they also manage their clients' portfolios in a variety of ways. For example, some financial advisors require their clients to maintain a certain minimum balance in the accounts the advisors manage for them. Other advisors may offer only investment portfolio advice while some may combine a variety of services (e.g., tax or estate planning) with traditional portfolio management.

Note: *There is some help out there. The NASD Rule of Conduct 2210 prohibits brokerage firms and brokers registered with NASD from referencing nonexistent or self-conferred degrees or designations or referencing legitimate degrees or designations in a misleading manner.*

You may find it necessary or helpful to hire more than one financial advisor to manage different aspects of your financial needs. Regardless of the choices you make, the professional(s) you choose should be ready and willing to refer you to a specialist when even more specific advice is needed. And to make the best choices, you must understand the differences between the various types of financial advisors.

To learn more, continue reading. At the end of this section, you can find helpful Web sites that will allow you to conduct research on an investment professional's background.

Each of the following represents categories of experts and some well-known credentials that may help you make effective financial decisions. ***Educational and licensing requirements vary from country to country, so it is important to check with your local regulatory and credentialing authorities to understand the depth of an advisor's expertise.***

Broker: *See Securities Broker*

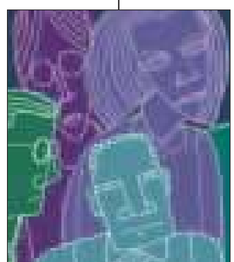
Chartered Financial Analyst® (CFA®): Financial advisors with the CFA designation have earned undergraduate degrees from an accredited university or equivalent, gained at least three years of work experience in an investment decision making role and passed three rigorous, six-hour examinations that are taken in sequence over at least a two year period. One hundred percent — all 18 hours — of the CFA examinations cover investment-related knowledge and understanding.

CFA charterholders work in investment jobs of all types, from large brokerage houses to small investment advi-

sory boutiques. Many work as investment analysts and strategists, while many others manage large portfolios for pension funds and insurance companies, or private-client portfolios for individuals and families.

There are a number of reputable and helpful credentials that financial professionals in different disciplines may hold, but none is as rigorously focused on investment knowledge as the Chartered Financial Analyst (CFA) designation.

Core elements of the CFA curriculum include investment tools (e.g., economics, financial statement analysis, quantitative analysis), asset valuation, ethical and professional standards, and investment portfolio management. The exam has a pass rate of only about 50 percent at each level, on average — meaning that only about one out of five candidates who enter the program ultimately complete it successfully and earn the CFA charter. Each examination requires a recommended 250 hours of intensive self-study and preparation.



In addition, all CFA charterholders are required to sign an annual statement declaring their adherence to the stringent CFA Institute Code of Ethics and Standards of Professional Conduct. The Code and the Standards require CFA charterholders to act with integrity, practice in a professional and ethical manner, exercise independent professional judgment and, most importantly, always put client interests before their own.

The CFA credential is recognized as a global symbol of integrity and excellence throughout the investment industry. While difficult to obtain — only 5,000 to 6,000 CFA candidates each year successfully complete the program's requirements to earn the right to use the prestigious CFA designation — there are currently more than 55,000 CFA charterholders in more than 110 countries (including 35,000-plus in the U.S. and more than 8,000 in Canada). First awarded in 1963, the CFA charter, administered by CFA Institute, is awarded to investment professionals who demonstrate professional, educational and ethical excellence.

Credentials such as the CFA charter will help you identify financial advisors with a demonstrated commitment to excellence. Read the CFA Institute fact sheet Why Select a CFA Charterholder? for more information on why hiring a CFA charterholder may be a good choice for you.

Certified Financial Planner (CFP): The more than 42,000 CFP licensees in the U.S. (15,211 in Canada) are financial advisors who have earned this designation through the completion of an educational program that includes the passing of a certification examination (a two-day, 10-hour test in the U.S., a one-day, six-hour test in Canada) on the financial planning process, income tax planning, retirement planning, estate planning, investment planning, family law, risk management and ethical conduct. In North America, about 20 percent of the CFP examination covers investment management. The CFP exam's average pass rate in North America is about 56 percent.

These advisors have gained at least two years of work experience in a financial planning-related position and undergo annual continuing education to remain current on planning strategies and financial trends. The CFP exam is administered by the Certified Financial Planner Board of Standards Inc.

Financial planners tend to offer general, broader financial planning services while an investment advisor such as a CFA charterholder provides specific investment management and decision-making support.

Certified Public Accountant / Personal Financial Specialist: Individuals who hold a Certified Public Accountant (CPA) designation have completed a college/university program in accounting, have passed a comprehensive test administered by the American Institute of Certified Public Accountants (AICPA), and have complied with the specific requirements established by the laws of the state in which they practice. All CPAs are accountants but not vice versa.

Of the approximately 336,843 CPAs licensed in the U.S. (in addition, there are more than 16,000 associate, student associate and international CPAs). About 3,200, or 1 percent, have earned the Personal Financial Specialist (PFS) designation. These professionals have gained experience providing financial planning advice to individuals and have passed a six-hour, computer-based examination administered by the AICPA.

More specifically, candidates for the PFS designation must, over a 5-year period, gain sufficient practical experience in the following areas:

- personal financial planning process;
- personal income tax planning;
- risk management planning;
- investment planning;
- retirement planning; and
- estate planning.

The computer-based exam, administered by the AICPA, tests candidates' knowledge of the practice areas listed above and includes a "professional responsibilities" component. CPA licensees can also earn credit toward their PFS designation by, for example, passing certain tests administered by the NASD, such as the Series 7, by publishing articles or books on topics relevant to the PFS designation, by earning related, advanced degrees, such as a Juris Doctor or Masters in Business Administration, or by serving on committees for associations dedicated to financial planning for individuals.

Those with the PFS must recertify their accreditation every three years. The AICPA requires that all members, including those in business and industry, adhere to the AICPA Code of Professional Conduct.

While the CPA is a U.S.-based designation, the Canadian equivalent is the Chartered Accountant (CA). The CA credential is administered by the Canadian Institute of Chartered Accountants with its regional offices.

Canada's provincial and territorial Institutes/Ordre of Chartered Accountants, the regional education providers for CA professional education and the CICA work together to ensure the quality and relevance of the profession's national standards and programs, and to set, administer and monitor the qualification process.

Estate planner: Estate planners specialize in the management of assets to minimize estate taxes and maximize benefits to heirs. They may also assist with retirement planning. Estate planners may be trained as accountants, attorneys or financial advisors, but they have special expertise in the area of tax and estate law.

Accredited Estate Planner (AEP) The National Association of Estate Planners and Councils grants the Accredited Estate Planner (AEP) credential to planners who have met stringent requirements. The credential is awarded in one of three ways: 1) passing two graduate-level courses in estate planning administered by The American College (pass rates for these courses vary from course to course); 2) meeting a 15-year experience requirement or 3) passing challenge exams for two specific American College courses.

There are about 1,200 AEP holders in the U.S. and very few in Canada. All AEPs must follow the NAEPC's code of ethics and adhere to its continuing education requirements (every 24 months AEPs should complete a minimum of 30 hours of continuing education, including 15 hours in estate planning). Re-certification is required every five years.

Board Certified in Estate Planning (BCE) Another credential for financial advisors who offer estate planning services is the Board Certified in Estate Planning (BCE). Offered by the Institute of Business and Finance, the BCE program is 45-hour self-study program consisting of three one-hour exams. Each exam is comprised of 50 multiple-choice questions, and candidates typically spend a cumulative total of 30 to 45 hours to complete the entire program. The pass rate for the exams is 70-75 percent.

The course outline for the exams does not address investment strategy, investment analysis or ethical conduct. According to the Institute, approximately 9,000 financial advisors have the BCE credential; most are in the U.S.

Insurance agent: In the U.S., these individuals are licensed by the states in which they work to sell and provide advice about insurance products such as life insurance, disability insurance and annuities (sold by insurance companies, annuities guarantee a fixed or variable payment to the beneficiary at some future time). In addition to taking a state licensing exam, insurance professionals can earn additional certifications, such as the Chartered Financial Consultant certification (ChFC) or the Chartered Life Underwriter certification (CLU). Visit The American College for more information about agents in the U.S. and the Canadian Association of Insurance and Financial Advisors for information specific to Canada. In the U.S., there are more than 150 different associations for insurance professionals, each with their own focus and membership requirements. Internet searches can provide you with more detail about associations that represent specific types of insurance professionals such as actuaries or brokers.

Chartered Financial Consultant (ChFC) Created in 1982, the Chartered Financial Consultant designation is for financial advisors who offer financial planning services to clients. It is awarded by the American College. To earn this designation, advisors must successfully pass eight courses, mostly self-study, from the American College on insurance and financial planning, income taxation, retirement planning, among other topics. One-fifth of the required courses focus on investment strategy and analysis. Each course concludes with a two-hour, computer-administered examination.

In addition, advisors with this designation must have three years of full-time business experience, maintain ethical standards and agree to comply with both the American College's Code of Ethics and Procedures as well as continuing education requirements. ChFCs must earn a total of 30 hours of continuing education credits every two years.

The ChFC program focuses on the comprehensive financial planning process as an organized way to collect and analyze information on a client's total financial situation.

More than 40,000 professionals have met the requirements to earn the ChFC designation, according to the American College.

Chartered Life Underwriter (CLU) Financial advisors with the Chartered Life Underwriter designation have gained insights into the life insurance business, its importance to the economy, its operation and distribution systems, and its importance for secure investments. This designation is also awarded by the American College of Bryn Mawr after candidates have successfully completed eight courses on topics such as individual life insurance, insurance law, estate planning, and group benefits. One of the courses, an elective, focuses on investment strategy and analysis.

In addition, advisors with this designation must have three years of full-time business experience, maintain ethical standards and agree to comply with both the American College's Code of Ethics and Procedures as well as applicable continuing education requirements.

More than 93,000 professionals have met the requirements to earn the CLU designation since the first exam in 1928, according to the American College.

Investment Advisors / Registered Investment Advisor (RIA): Investment advisors are firms or individuals who manage investments for clients. The employees who advise clients and/or manage their assets may be called portfolio managers, financial advisors, investment counsel, or similar terms.

Any individual or firm that gives advice, makes recommendations, issues reports or furnishes analysis on securities, either directly or through publications, for compensation and as part of a business, must register with Securities and Exchange Commission and/or a state securities regulator. If an advisor is an employee of an advisory firm, the firm will have a blanket registration with the SEC for all employees.

A registered investment advisor is simply an individual or firm that has registered with the Securities and Exchange Commission or a state securities regulator. "Registered investment adviser" is not a credential, and there are no certifying exams to be registered. It simply means that an individual or a firm has submitted the required filings to the Securities and Exchange Commission and paid a modest fee. To register with the SEC, a firm must complete a Form ADV, which contains information about the advisor and its operations. The form also contains key disclosure information related to disciplinary matters.

A firm that manages less than $25 million in assets must register with the state in which it is located and not with the SEC. However, if this firm advises a mutual fund or is located in a state that does not require registration, it must register with the SEC. Any firm that has more than $25 million under management must register with the SEC. Lastly, some firms may be exempt from registration entirely. These firms tend to have very few clients and a very small amount of assets under management.

RIAs are not required by law to have any special training or credentials; however, many have earned one or more of the financial advisor designations described above. In addition, they have legal and fiduciary obligations to their firm's clients, as mandated by their regulators and the Investment Advisory Act of 1940. For example, some of the obligations that the SEC imposes on investment advisory firms include:

- acting in the best interest of the firm's clients;
- fully disclosing all fees associated with their services and how these fees are charged;
- fully disclosing whether the firm or an employee of the firm has an affiliation with any other securities professional, such as a stock broker; and
- fully disclosing any facts that might cause the firm to render advice that is not "disinterested."

Registered Representative: *See Securities Broker*

Securities Brokers, Stock Brokers or Registered Representatives: Securities brokers, also called "stock brokers," "registered representatives" or "registered reps," are the people who actually execute the purchase or sale of stock, as directed by the investor seeking to buy or sell. Brokers are licensed by the state in which they work and have passed an exam called the Series 7, which tests a broker's knowledge of securities laws and investment products. This test is administered by the National Association of Securities Dealers, a self-regulating body of the securities industry. Some states also require brokers to pass the Series 63 exam, which tests the broker's knowledge of state securities law.

Financial advisors who have not earned their Series 7 (and Series 63, where required) must call, on behalf of their clients, someone who has the credential to execute the purchases or sales of stock for their clients. However, financial advisors often have both the Series 7 and 63 credentials.

There are no prerequisites for taking the Series 7, but candidates must be sponsored by a NASD member firm, a self-regulatory organization, exchange or state regulator in order to take either exam. Candidates for the Series 63 exam must have passed the Series 7 exam or one of the NASD's other exams for registered representatives. The six-hour long Series 7 exam consists of 250 multiple choice questions. The 75-minute Series 63 exam consists of 65 multiple choice questions. Each exam requires candidates to attain a score of 70 percent in order to pass.

Professionals registered with the NASD must complete continuing education based on when they pass an NASD examination. Since this process rotates, it's important for investors to ask a broker with an NASD registration when he last completed his continuing education requirements.

In all, there are more than 20 Series exams administered by the NASD for registered representatives, each of which tests the registered representative knowledge of different types of investments and the laws governing them.

Financial advisors who have earned their Series 7 designation (and possibly their Series 63 designation) can give you advice on which stocks to buy or sell and can execute these trades for you, at your direction. Be aware that a stock broker generally gets paid by commission (i.e., per transaction).

A broker in Canada must be registered with the relevant provincial or territorial securities commission before he can broker securities transactions in that province or territory. For more information and links to these commissions, visit the Canadian Securities Administrators' Web site.

Trust officers: These individuals are employed by financial institutions, typically a bank, to manage assets held in trust or individual asset accounts. Their focus is on providing investment advice. Many trust officers have obtained the afore-mentioned professional designations.

Certified Trust and Financial Advisor (CTFA)

The CTFA credential from the Institute of Certified Bankers (an affiliate of the American Bankers Association) is available to financial advisors who provide trust, estate, guardianship and asset management services.

To receive the CTFA, a candidate must have either a minimum of three years experience in personal trust as well as completed an ICB approved personal trust training program, five years of experience and a bachelor's degree or 10 years of experience. Candidates who have applied to this program must also submit a letter of recommendation from a manager attesting to the candidate's qualifications and sign ICB's Professional Code of Ethics.

The CTFA exam tests candidates on their knowledge of four areas:

1. Fiduciary responsibilities and trust activities
2. Personal finance, insurance, estate planning
3. Tax law
4. Investment management

The four-hour CTFA exam consists of 200 multiple-choice questions. The average pass rate is 77 percent. The 3,300 CTFAs (all are in the U.S.) must complete 45 hours of continuing education every three years with a minimum of six hours in each of the four knowledge areas.

Note: *When a trust officer is acting as a trustee (someone with a fiduciary duty who holds the title to property for the benefit of another person) for a beneficiary or a group of beneficiaries of which you are a member, it is possible that the investment policy set for the trust assets that the trustee manages will differ from your personal investment objectives. Thus, it is important for you to ask the trust officer about the goals set for these assets.*

HOW CAN I CHECK THE BACKGROUND OF AN INVESTMENT PROFESSIONAL?

In the U.S. you can check the background of securities brokers and those investment advisors required to register with the SEC through the National Association of Securities Dealers. You can also learn a lot about any investment advisor required to register with the SEC by reading the Form ADV that these advisors must file as part of their registration. In particular, Part II of Form ADV outlines an advisor's services, fees and strategies. Lastly, you can find information about state-by-state reporting requirements for investment advisors and securities brokers by contacting your state securities regulator.

Other resources for checking the background of a broker or advisor are:

- Certified Financial Planner Board of Standards
- Institute of Certified Financial Planners
- National Association of Personal Financial Advisors
- North American State Securities Administrators Association
- National Futures Association

Tip: *According to the SEC's Web site, the "… Central Registration Depository (or "CRD") is a computerized database that contains information about most brokers, their representatives and the firms they work for. For instance, you can find out if brokers are properly licensed in your state and if they have had run-ins with regulators or received serious complaints from investors. You'll also find information about the brokers' educational backgrounds and where they've worked before their current jobs.*

You can ask either your state securities regulator or the NASD to provide you with information from the CRD. Your state securities regulator may provide more information from the CRD than NASD, especially when it comes to investor complaints, so you may want to check with them first. You can find out how to get in touch with your state securities regulator through the North American Securities Administrators Association, Inc.'s Web site. You can go to NASD's Web site to get CRD information or call them toll-free at (800) 289-9999."

Likewise, each investment dealer in Canada should be a member of the Investment Dealers Association, the national self-regulatory organization and representative for the Canadian securities industry. The IDA represents more than 190 member firms and their employees across the country. The activities of each member are regulated in terms of both their capital adequacy and conduct of business. All member firm employees who deal with the public must also be appropriately registered.

You can determine whether a financial advisor is a CFA Institute member, a standard by which investment professionals demonstrate their commitment to a strict code of ethics and professional conduct, by contacting CFA Institute directly. CFA Institute investigates all allegations of violations of the CFA Institute *Code of Ethics* and *Standards of Professional Conduct*, whether self-disclosed by the member or CFA charterholder or raised by an investor or fellow investment professional. Those who are found to have violated the Code and Standards, or who fail to divulge formal complaints as required in the annual CFA Institute Professional Conduct Statement, are subject to disciplinary sanctions from CFA Institute. Sanctions can range from private censure up to and including losing membership in CFA Institute and the right to use the CFA designation.

Outside the U.S. and Canada, registration requirements and disclosures by financial advisors will vary from country to country, so check with your local regulatory authorities for more information.

WHAT DO I NEED TO KNOW ABOUT ETHICAL AND PROFESSIONAL STANDARDS?

The integrity of investment advisors is of the utmost importance, as their skills and advice directly impact the financial futures of their clients. For example, each CFA charterholder, CFA Institute member and CFA candidate — more than 150,000 investment professionals worldwide — is required to sign an annual statement declaring adherence to the CFA Institute *Code of Ethics* and *Standards of Professional Conduct*.

The *Code* and *Standards* require them all to act with integrity, practice in a professional and ethical manner, exercise independent professional judgment and put client interests before their own. The 300-page *CFA Institute Standards of Practice Handbook (8th edition)* — an "instruction manual" for ethical guidance within the investment community — interprets and expands upon the requirements of the Code and Standards.

Important Fact: *Not every investment professional is a member of CFA Institute or a CFA charterholder. Thus, it is important that you ask your advisor if he adheres to the CFA Institute Code and Standards or if his firm has its own internal codes of conduct. Your advisor should be willing to tell you which one he adheres to and what the standards mean. If he doesn't follow either set of standards, then you should ask why.*

Financial advisors who have credentials in addition to or other than the CFA designation must follow a code of ethics that applies to that specific credential. Here are just a few:

- Accredited Estate Planner
- Chartered Financial Consultant
- Chartered Life Underwriter
- Certified Financial Planner
- Certified Public Accountant/Personal Finance Specialist
- Certified Trust and Financial Advisor
- Registered Investment Advisors
- Securities Broker, Stock Broker or Registered Representative

HOW MUCH DOES PROFESSIONAL ADVICE COST?

Using the services of a financial advisor may be less expensive than you might have thought since compensation varies depending on the type of services provided. With the deregulation of financial markets, clients may negotiate the compensation arrangements they make with their advisors.

According to The Money Management Institute (MMI), a U.S.-based organization for the separately managed account industry, the typical account minimum for an account managed by a financial advisor in the U.S. is US$100,000, compared to US$1,000 for a mutual fund. MMI also reports that investors working with an advisor typically pay about 1 percent of the assets under management (excluding brokerage costs) per year, whereas mutual fund clients can pay about 1.42 percent (excluding brokerage costs).

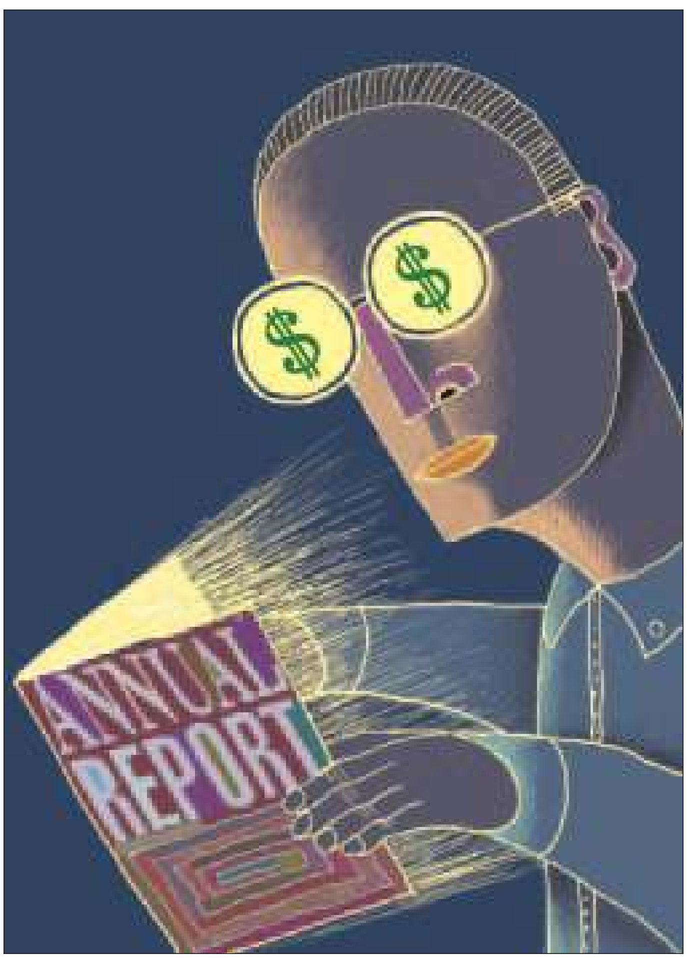
Fact: *For the U.S., MMI reports that investors have more than US$456 billion invested in separately managed accounts at the end the 2003 third quarter. This amount is about three times the*

US$161 billion in assets reported by MMI in 1996. However, The Wall Street Journal *reported on Dec. 10, 2003 that investors have more US$4.3 trillion invested in mutual funds (excluding money-market funds).*

Typically, there are four ways an advisor may be compensated:

1. Fee: Based on an hourly or project rate or a percentage of assets under management. It's important to be clear about whether an advisor charges a "fee only" or is "fee based." Fee based may mean fee plus some commission. For information about fee-only advisors, contact the National Association of Personal Financial Advisors.

2. Commission: Based on a percentage the advisor receives when selling a particular investment product to a client. An advisor should disclose any arrangements he has with a brokerage firm when recommending a product that could generate a commission. Lastly, when an advisor offsets some of the fees a client has accumulated because the advisor received a commission from products he recommended, this creates a fee-offset form of compensation.



3. Fee plus commission: When an advisor charges a fee for services rendered and then also collects a commission from the client's purchase of a recommended investment product.

4. Salary: A flat rate paid to the advisor, typically regardless of products purchased or assets under management.

There is no one "correct" form of compensation. However, investors need to determine, with input from their financial advisor, what type or combination of compensation is most appropriate.

Financial planners tend to be fee-only, fee-based (meaning fee plus some commission) or commission-based, depending on the range of products and services they provide, while investment advisors and trust officers tend to work for a fee only, charging a percentage of assets under management. This percentage is often around 1 percent and should be evaluated in terms of performance. In other words, if a financial advisor's historical performance indicates that he consistently outperforms a passive benchmark (such as the S&P 500 or TSX Composite Index) by, for example, 2 percent per year, then even a fee of 1 percent would still represent a net advantage to the client. As discussed above, investment advisors that are regulated by the SEC are required to disclose their fees in Part II of the Form ADV they file.

In addition, attorneys and accountants, while not specifically providing financial planning advice in the traditional sense, offer helpful services in the financial planning arena. For example, attorneys can provide such services as preparing wills and trusts as well as providing advice or representation on complex tax matters. Accountants can maintain and audit financial records for individuals and businesses, provide tax saving advice and prepare income taxes.

Attorneys and accountants typically charge an hourly rate but they may charge a flat fee for specific services, such as preparing a will or filing a tax return on behalf of a client.

Regardless of what kind of advisors you hire to help you meet your financial goals, it's extremely important that you understand and discuss how each advisor is compensated and how that compensation might affect your investments.

WHAT QUESTIONS SHOULD I ASK MYSELF BEFORE CHOOSING A FINANCIAL ADVISOR?

Part of choosing the right advisor is understanding exactly what you expect from the relationship. Finding an advisor who fits your investment style is important, so be sure to do some self-evaluation first. For more information on this subject, be sure to read the CFA Institute fact sheet *Defining Your Investment Objectives*.

Here are some questions to ask:

- What are my investment objectives?
- What does my money need to do for me?
- When will I need to draw money out of my portfolio?
- How much risk am I willing to take?
- What other special circumstances affect my investments?
- Am I looking for a partner who will work with me to manage my investments, or do I prefer an advisor who will take more control and tell me what is best?
- What kind of communication do I want with my advisor? Are my needs best met by formal reports, by telephone conversations or face-to-face meetings?
- Do I need an advisor who works nearby, or am I comfortable communicating with someone in another location?
- Are professional credentials important to me?
- Do I have any social or political beliefs that I would like to incorporate into my investment plan?
- What do I know about asset management styles (e.g. value, growth)? Do I know which one is right for me?
- How will I decide when to sell?
- How will I evaluate performance? For more information, visit the CFA Institute fact sheet *How to Evaluate Investment Portfolio Performance*.

HOW DO I CHOOSE THE ADVISOR THAT IS RIGHT FOR ME?

After you have thought about what you want and need, you should verify that the advisor you are considering is well-qualified, commits to standards of ethical and professional conduct, and is appropriate for your financial goals. Here are some questions you may want to ask to help you make this determination:

To determine qualifications and expertise: What are your professional qualifications and experience? What is your educational background? Are you a CFA charterholder? What licenses and/or certifications do you hold? What are the qualifications of other professionals on your staff? How many are CFA charterholders?

To make sure that an advisor is properly registered with the appropriate authorities: Are you registered with the Securities and Exchange Commission? The National Association of Securities Dealers? The state or provincial registration or licensing body? Are you and your firm licensed to sell securities in this state or province? Are you licensed to sell insurance products? Can I have a copy of your firm's Form ADV? How long has your firm been in business? How long have you worked for this firm? What is your employment history in the investment industry? Who owns this firm?

For a better understanding of the advisor's investing style: What is your investment management style? How long have you been using this style to manage assets? Will you help me define my investment objectives and expected returns? Will you help me decide when to sell? What is your performance history?

To see if your portfolio is in line with what the advisor currently manages: What is your typical client like? Do you have clients similar to me? What is your client turnover rate? How many clients does your firm have now compared to five years ago? How has your firm handled this growth? How many clients do you handle personally? What do you think your firm will look like in five years?

To determine if the advisor commits to stringent ethical and professional standards: Have you ever been disciplined for unlawful or unethical actions in your professional career? What is your firm's policy on personal/employee trading in securities that are in client portfolios? Is there a written policy that I can see? Are you a member of any professional association, such as CFA Institute? Do you adhere to the CFA Institute *Code and Standards*?

To establish a strong relationship with the advisor: Will you work directly with me, or will I be working with others on your staff? What considerations might you make to minimize my tax consequences? How often will you communicate with me? What regular reports will I receive? Are you willing to make adjustments as my needs change? If I need special expertise, can you recommend someone? Will you consult with others? Do you have any questions for me?

For an understanding of the advisor's compensation: How are you paid? Is this arrangement negotiable? Do you make commissions on the products you sell? Where do you send my securities order to be executed? What kind of investment research do you use, and what is the source? Are you paid for research that you do? Do you comply with the CFA Institute Soft Dollar Standards?

To understand your portfolio's performance: What kind of return should I expect? How will you earn this return (income, capital gains)? What are the performance features, obligations and risks of the investment you are proposing? Does your firm comply with the AIMR-PPS® or GIPS® standards? For more information, read the CFA Institute fact sheet *How to Evaluate Investment Portfolio Performance*.

Interviewing potential advisors is absolutely appropriate, and you should feel comfortable asking these questions! If you interview more than one advisor, be sure to compare your experiences.

WHAT QUESTIONS SHOULD AN ADVISOR ASK OF ME?

When meeting with an advisor, he should ask you several questions about your investing needs and habits. Remember, it's the advisor's job to better understand your objectives, risk tolerances and interests. Without this valuable information, an advisor may not be able to provide you with a comprehensive investment plan.

Here are some questions you should expect an investment advisor to ask:

For a better understanding of your portfolio's starting value: What is your household income? How much do you have in savings? What percent of your income are you willing to invest? Will you be turning all of your investments over to me? What is your investment time horizon?

To determine the type of appropriate investments: What do you want your money to do for you? Do you need cash rather quickly or can you invest for a longer period of time? Are you interested in leaving a particular part of your estate to your heirs? How much cash will you need to take from your investments to sustain your current standard of living?

To make sure your investment strategies are in line with any tax and/or legal strategies: Do you work with other professionals, such as an accountant or estate attorney? Do you need these services? Do you have any tax and/or legal strategies in place that affect your investments?

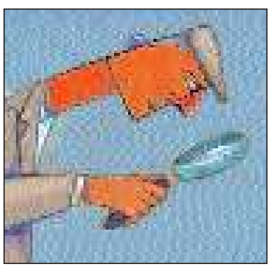
For a better understanding of your risk tolerance: Is it more important for you to have a portfolio that achieves returns in line with or more than the rate of inflation? How much decline in your portfolio are you willing to accept in a given year? What do you look at when comparing your portfolio's returns? Have you thought about when you're comfortable to buy or sell a stock? How many years are you from retirement?

HOW CAN I HELP MAINTAIN THE ADVISING RELATIONSHIP?

When hiring an investment advisor, consider the relationship that you hope to establish. A strong affiliation based on communication and trust is critical to the long-term success of your investment relationship. While the advisor will invest your money, there are specific items for which each of you is responsible. Read the CFA Institute fact sheets *Managing the Relationship Between You and Your Advisor* and *Evaluating Portfolio Performance* for more information.

WHERE CAN I FIND AN INVESTMENT ADVISOR?

Today, many investors split their search for an advisor between the Internet and referrals. Most full-service brokerage firms have Web sites that not only provide investment education and performance data but also give visitors direct access to an advisor; even smaller firms have Web sites that explain their products and services. Quite often using keywords such as "investment advisor," "investment adviser," "financial advisor" or "estate planner" to conduct a search on the Internet can be a good starting point.



Referrals from friends, relatives and other professionals can quickly put you in touch with an advisor and may be more reliable than an Internet search. Be sure to ask anyone who gives you a referral about the steps he took to select an advisor. Also, make sure you ask about any positive or negative issues this person might have with his or her advisor.

Lastly, organizations such as the American Bar Association, the National Association of Securities Dealers, the Certified Financial Planner Board of Standards, the American Institute of Certified Public Accountants, the U.S. SEC, the Financial Advisors Association of Canada (www.advocis.ca), the National Association of Personal Financial Advisors and the Family Office Exchange offer online search services that are open to investors.

Regardless of how you find an investment advisor, make sure that you ask him or her several questions about investment style, communication, experience and disciplinary actions.

WHERE CAN I GET MORE INFORMATION?

There are many unbiased sources of information for individual investors that can help you choose the right advisor and gain more information about the investment process. We've listed just a few Web links that you might find helpful. Additional investor links to stock exchanges, regulatory organizations, etc. from around the world may be found here: http://www.cfainstitute.org/investorservices/investorlinks.html.

Advocis. This is the brand name for the Financial Advisors Association of Canada. The association represents thousands of professional financial advisors across Canada.

American Association of Individual Investors. The AAII specializes in providing education in the area of stock investing, mutual funds, portfolio management and retirement planning. They are a not-for-profit organization that arms investors with the knowledge and tools needed to manage their finances effectively and profitably.

American Association of Retired Persons. AARP is an organization created to assist retired Americans in all facets of life, from health and wellness to financial advice to travel. Their Online Retirement Calculator helps retirees figure out the best ways to budget their savings.

American Bar Association. With more than 400,000 members, the ABA provides law school accreditation, continuing legal education, information about the law, programs to assist lawyers and judges in their work, and initiatives to improve the legal system for the public.

American College. Founded in 1927, the American College offers instructional programs to reflect the growing convergence of insurance and other financial services professions. A variety of designation, certificate, graduate-degree, and continuing education programs now complement its long-respected CLU designation.

American Institute of Certified Public Accountants. With more than 330,000 members, the AICPA is the leading professional association for CPAs in the U.S. The AICPA offers a list of CPA/PFS designees through www.cpapfs.org.

Alliance for Investor Education is dedicated to facilitating greater understanding of investing, investments and the financial markets among current and prospective investors of all ages. It pursues initiatives for education and partners with others to motivate investors to obtain objective information and increase their knowledge and understanding of investing.

Better Business Bureau helps to resolve disputes between businesses and consumers. Since 1912, the BBB has served consumers, business, and communities; in doing so, they've received commendations and awards from trade leaders, consumer groups, and even presidents of the U.S.

Canadian Institute of Chartered Accountants represents approximately 68,000 CA's and 8,000 students in Canada and Bermuda. The site has links to each of the provincial and territorial associations.

Canadian Securities Institute is Canada's leader in investment learning. Created in 1970, CSI has launched and enhanced the careers of hundreds of thousands of financial professionals.

Certified Financial Planner Board of Standards is a professional regulatory organization that fosters professional standards in personal financial planning so that the public values, has access to and benefits from competent financial planning. Individuals who meet rigorous certification requirements are certified by CFP Board to use the Certified Financial Planner certification.

CFA Institute is the leading global investment non-profit organization for investment professionals. With more than 68,000 members in 117 countries, CFA Institute establishes and maintains the highest standards of investment excellence and integrity. CFA Institute also produces the *Financial Journalist e-Newsletter*, an educational tool for finance and business journalists that may also be used by individual investors interested in gaining insight into the investment industry.

Consumer's Almanac. Published by the American Financial Services Association Education Foundation, the Consumer's Almanac provides financial tips and charts to help you set up and calculate a budget, set your savings goals, and figure out your net worth.

Consumer World is a public service, non-commercial guide cataloging over 2000 of the most useful consumer resources." Topics on this site range from investment and business guides to government regulations to product testing.

Dunn & Bradstreet calls itself as "the world's leading provider of business information," and its database contains information on over 75 million companies worldwide.

Federation of Law Societies of Canada is the umbrella organization for Canada's law societies. The site has links to each of the provincial and territorial societies.

Financial Navigator International. FNI provides family offices, financial professionals, and individual investors with comprehensive resources on asset management and other forms of financial planning.

Financial Planners Standards Council is a Canadian not-for-profit organization established in 1995 to benefit the public and the financial planning profession by establishing and enforcing competency and ethical standards for financial advisors who hold the Certified Financial Planner (CFP) designation.

ICLUB Central. ICLUB focuses its attention on helping investment clubs with tutorials and advice.

International Accounting Standards Board is an independent standards board operating out of London, UK whose mission is "to provide a single set of high-quality, understandable, and enforceable global standards that require transparent and comparable information."

International Monetary Fund. The IMF, which is one of the most comprehensive financial institutions in the world decides world debt and fiscal policy issues.

Investing Online Research Center provides information for potential investors who are interested in investing online.

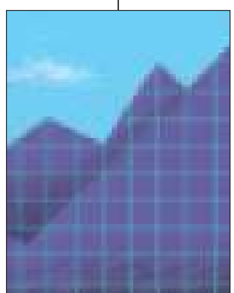
Investment Dealers Association. With over 190 corporate members, the IDA is Canada's national self-regulatory securities organization, striving to protect the integrity of the investment industry and provide investors with a full and fair marketplace.

Investment Funds Institute of Canada is the national association of the Canadian investment funds industry.

Investor Guide provides investment information as well as an educational section for investors of all experience levels, which its creators have called “University.”

Investor Home. You can obtain information from and links to every major financial news source on the Internet.

Investor Learning Centre is Canada’s recognized authority in investment education. The site offers general investment information, along with information on resource centre and online seminars, personal finance courses, and a list of ILC events.



Investor Protection Trust. Founded in 1993 as part of a multi-state settlement to resolve charges of misconduct, the IPT provides independent, objective information needed by consumers to make informed investment decisions. IPT’s charter consists of two major functions: serving as an independent source of non-commercial investor education materials and assisting in the prosecution of securities fraud.

InvestorWeb. Like many of its counterparts, this site is a source of market information, analysis and commentary.

NASDAQ. Since its debut in 1971 as the world’s first electronic stock market, the Nasdaq Stock Market has been at the forefront of innovation, using technology to bring millions of investors together with the world’s leading companies. Today, NASDAQ is the largest stock market in the United States, listing nearly4,000 of the world’s most innovative companies.

National Association of Corporate Directors. NACD includes directors, board members, member-candidates, and board advisors from corporations across the country who attempt to set fair and ethical standards of conduct for their peers.

National Association of Estate Planners and Councils. The NAEPC is an organization of professional estate planners and affiliated Estate Planning Councils in the U.S. focused on establishing and monitoring the highest professional and educational standards.

National Association for Investors Corporation started as the amalgamation of four investment clubs and grew into an organization with over 115 chapters nationwide. They work at a grass-roots level to educate new investors and give experienced investors quality advice.

National Association of Personal Financial Advisors is the largest professional association of comprehensive, fee-only financial advisors in the United States. Its 900 members and affiliates provide consumers and institutions with comprehensive and objective financial advice on a “Fee-Only” basis.

National Association of Securities Dealers. NASD regulates the activities of over 5,400 securities firms and their more than 91,000 branch offices, and in excess of 678,000 registered securities professionals. In addition, it regulates the markets operated by The Nasdaq Stock Market, Inc. You may find background information on NASD-registered individuals and firms in the NASD BrokerCheck Program. NASD does not have regulatory authority over Investment Advisers.

National Endowment for Financial Education. Investors may write to the NEFE to receive a copy of their Wealth Care Kit. The kit is designed to help adult consumers take charge of their financial life.

National Futures Association is the leading American self-regulatory agency for the futures and commodities industries.

National Investor Relations Institute is dedicated to advancing the quality of investor relations between corporations and their shareholders.

New York Stock Exchange’s mission is to add value to the capital-raising and asset-management process by providing the highest-quality and most cost-effective self-regulated marketplace for the trading of financial instruments, promote confidence in and understanding of that process, and serve as a forum for discussion of relevant national and international policy issues.

Proshare is an independent, non-profit organization promotes responsible share-based investments through education and research.

Research Magazine. Research Magazine's Web site has posted an archive of past issues and broker profiles in addition to this month's articles.

Securities and Exchange Commission serves as the U.S. Government's regulating body for the financial services industry, overseeing and examining all securities transactions within U.S. markets.

Securities Industry Association. The SIA brings together the shared interests of more than 600 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance.

Securities Traders Association is the largest trade organization of securities professionals in the world.

Toronto Stock Exchange is Canada's premier securities market and one of the top 10 exchanges in the world.

U.S. Federal Reserve acts as a central bank for the U.S. and determines its national monetary policies. "The Fed" focuses on issues as global as exchange rates as well domestic issues, such as interest rates.

Wallstreet.com. Provides individuals and companies advice through links to information and its "Investor Relations 101" classroom.

Women's Institute for Financial Education is the only non-profit organization dedicated to providing financial education to women in their quest for financial independence.

World Bank has changed its mission and composition dramatically; in the last two decades, the Bank has increased its focus on development, debt relief, health programs, and education.

CFA INSTITUTE

The CFA Institute is the leading, global organization of more than 71,000 investment professionals from over 100 countries. Through its headquarters in Charlottesville, Va., USA, offices in Hong Kong and London, |and more than 125 Member Societies throughout the world, CFA Institute provides global leadership through the administration of the CFA Program, continuing education for investment practitioners, professional standards, and advocacy programs.

Contact CFA Institute for more information on its programs and services:

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