

FIDUCIARY VS SUITABILITY QUESTIONNAIRE



IS YOUR INVESTMENT ADVISOR
REALLY LOOKING OUT FOR YOUR
BEST INTEREST?

BY
BRIAN REZNY
CFP/PRESIDENT



Rezny Wealth
Management, Inc.

Appropriate Change When Change Is Due®

“Wall Street, Banks and Insurance Companies do not have to work in your legal best interest 100% of the time”

The Truth: Fiduciary vs. Suitability

Fiduciary vs. Suitability – Why should you care?

If you are concerned about the investment advice you receive, your RETIREMENT and your LIFE SAVINGS...**you should care.**

It doesn't sound like much of a big deal, but these two words - *Fiduciary* and *Suitability* - are critical to determining the type of care you receive from your “trusted” Financial Advisor.

The most important question you can ask is:

"Do you have a legal obligation to act in my best interest?"

Understanding the difference **Fiduciary vs. Suitability**

Fiduciary Standard: Fee-Only Registered Investment Advisors (RIA), adhering to a **Fiduciary Standard**, **have a Legal Obligation** to act in your Best Interest and actually manage your portfolio. This means they must recommend what is in the client's best interest when providing personalized investment advice and management. They must place the interests of the client ahead of their own and act professionally with care, skill, diligence and good judgment.

The **Fiduciary Standard** imposes the highest duty of good faith, loyalty, and full and fair disclosure of all material facts.

Suitability Standard: Wall Street Firms, Banks, Insurance Companies and their brokers/advisors **do not have a legal obligation** to act in your best interest 100% of the time. Wall Street firms, Banks and Insurance Companies are regulated under the Securities Exchange Act of 1934 and are held to **Suitability Standard** that requires them to make recommendations that are suitable for a client's risk tolerance, investment objectives, and time horizon. Suitable is not what is best for the client.

Basically, a broker/advisor can put your nest egg in an expensive, poor performing, inferior annuity or mutual fund, as long as you are looking for long-term growth or income, and the **Suitability Standard** has been met. The investment is not the best or the least expensive, it's just suitable!

Brokers/advisors are trained and required to sell the investment products their companies manufacture and sponsor. These products pay them higher commissions and fees, which is good for them and bad for you.

FACT - There's no incentive or reason for the broker/advisor or firm to offer a better or less expensive investment to the client under the **Suitability Standard**.

FACT - Numerous surveys show investors cannot really tell the difference between the **Fiduciary Standard** and the **Suitability Standard**, because Wall Street, Banks, and Insurance companies don't really want you to know the difference.

FACT - Suitability Standard: This is the vast majority of investing firms and their advisors/brokers work under the **Suitability Standard**.

FACT - Under the **Suitability Standard** these firms and their salespeople **do not have a legal obligation** to work in your best interest.

The vast majority of Wall Street Firms, Banks and Insurance Companies and their so-called advisors, use misleading titles as window dressing, such as: Advisors, Vice President, Financial Consultants, Wealth Managers or Registered Representatives - all benefit from selling you an investment or financial product for commissions under the **Suitability Standard**.

FACT - If you **do not ask the right questions**, your portfolio and retirement could be at great risk. If you want to protect your retirement and investment portfolio **utilize this attached Questionnaire**.

FIDUCIARY VS SUITABILITY

Understanding the Difference

The difference between these two standards can be critical when it comes to your retirement and life savings!

FIDUCIARY

Legally obligated to give advice based on your legal best interests.

SUITABILITY

Advice is given based on what is suitable for the clients situation. No legal obligation.

FIDUCIARY

Registered financial advisor.
Fee-Only services provided for clients.

SUITABILITY

Investment or financial "advisor" (salesperson)
High-Cost commissions and hidden fees for products SOLD to clients.

FIDUCIARY

Obligated to identify and disclose conflicts of interest and consider the cost to clients.

SUITABILITY

NOT obligated to describe or disclose any conflicts of interest or consider the cost to clients.

THE BOTTOM LINE

Financial advisors that work under the suitability standard are NEVER working for you! The only advisor you should trust with your retirement and life-savings is a FEE-ONLY FIDUCIARY.

Fiduciary/Registered Investment Advisor RIA Questionnaire

Questions to ask when interviewing an Advisor and Firm:

1. How are you and your Firm compensated?

- _____ • Fee-Only- **Fiduciary/money management**
- _____ • Fee-Based and Commission- **Suitability/sales/conflicts/higher costs**
- _____ • Fee-Offset- **Suitability/sales/conflicts/higher costs**
- _____ • Commissions or Fee-In-Lieu of commissions- **Suitability/sales/conflicts/higher costs**

2. Do you have a **Written Investment Advisory Agreement and Form ADV Part 2 Brochure** describing your compensation and Investment Advisory Services, that will be provided in advance of the engagement?

- _____ • Yes- **Fiduciary/money management**
- _____ • No- **Suitability/sales/conflicts/higher costs**

3. If you, your Firm or Broker-Dealer earn commissions, approximately what percentage of your Firm's Commission Income is it derived from?

- _____ % Insurance products- **Suitability/sales/conflicts/higher costs**
- _____ % Annuities- **Suitability/sales/conflicts/higher costs**
- _____ % Mutual Funds- **Suitability/sales/conflicts/higher costs**
- _____ % Non-traded Real Estate Investment Trust (REITs)- **Suitability/sales/conflicts/higher costs**
- _____ % Stocks and Bonds- **Suitability/sales/conflicts/higher costs**
- _____ % Fee-In-Lieu of commission Brokerage Account- **Suitability/sales/conflicts/higher costs**

4. Does any member of your Firm or Broker-Dealer act as a general partner, participate in, or receive compensation (commissions or fees) from investments you may recommend to me or utilize?

- _____ • Yes- **Suitability/sales/conflicts/higher costs**
- _____ • No- **Fiduciary/money management**

5. Do you or your Firm receive on-going Commissions/Income from Mutual Funds, Annuities or any Investment Products that you recommend or utilize in the form of '12(b)1 fee's, 'trailing Commissions', 'revenue sharing agreements' or other continuing payouts and incentives?

- _____ • Yes- **Suitability/sales/conflicts/higher costs**
- _____ • No- **Fiduciary/money management**

6. Are there Financial incentives for you, your Firm or your Broker-Dealer, to recommend Certain Financial products? (Such as: commissions, proprietary product sales, firm sponsored products with selling agreements, hidden fees, soft dollar arrangements, sales incentives, revenue sharing arrangements and sales trips, etc.)

- _____ • Yes- **Suitability/sales/conflicts/higher costs**
- _____ • No- **Fiduciary/money management**

7. Do you, your Firm, your Broker-Dealer or Insurance Company create, sponsor, or underwrite any Financial or investment products, such as Mutual Funds, Annuities, Stocks or Bonds, Unit Investment Trusts or others that are sold to your Clients for commissions?

- _____ • Yes- Suitability/sales/conflicts/higher costs
_____ • No- Fiduciary/money management

8. Will I have an Annuity Account, Brokerage Account or Investment Advisory Account with your Firm?

- _____ • Annuity Account- Suitability/sales/conflicts/higher costs
_____ • Brokerage Account- Suitability/sales/conflicts/higher costs
_____ • Investment Advisory Account- Fiduciary/money management

9. Do you have a clearly spelled out investment strategy, in writing, so I can understand how your Firm will manage our portfolio, and so I can better understand your Firm's investment philosophy?

- _____ • Yes, ask for a copy of the Firm's Investment Strategy-most likely- Fiduciary/money management
_____ • No-most likely- Suitability/sales/conflicts/higher costs

10. Do you act as a Fiduciary and an Independent Fee-Only Registered Investment Advisor under a Money Manager capacity, who is responsible for actively managing our portfolio and investments, and who makes appropriate changes as necessary within our goals, objectives and risk profile, under a Registered Investment Advisory Agreement?

- _____ • Yes- Fiduciary/money management
_____ • No- Suitability/sales/conflicts/higher costs

11. Will you sign the Fiduciary Oath below and Act in a Fiduciary Capacity, in the Legal Best Interest of my investment accounts, investments and in the Legal Best Interest for me (us)?

- _____ • Yes- Fiduciary/money management
_____ • No- Suitability/sales/conflicts/higher costs

FIDUCIARY OATH The Advisor and his/her Firm shall exercise his/her best efforts to act in good faith and in the best interests of the client. The Advisor and his/her Firm does not receive any compensation, commissions or other remuneration that is contingent on any client's purchase or sale of a financial product. I shall act in a Fiduciary Capacity, in your best interest and always put your interest ahead of my own and my firm.

Signature

Date

Name

Firm Name

Simplified Answer Guide

1. **Fee-Only** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
2. **Yes** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
3. **ZERO commissions** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
4. **NO** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
5. **NO** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
6. **NO** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
7. **NO** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
8. **Investment Advisory Account** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
9. **YES** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
10. **YES** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs
11. **YES** is the RIGHT ANSWER
Any other answer is Suitability/sales/conflicts/higher costs

Background check the firm you are interviewing for actions against their past Clients
www.FINRA.org Brokerage Firms www.SEC.gov Registered Investment Advisors

Rezny Wealth Management, Inc.

A Fee-Only Registered Investment Advisor Fiduciary Standard of Care "In Your Best Interest"

Office & Meeting locations:
Fort Myers, FL - Naples, FL - Boca Raton, FL - Naperville, IL

(800) 618-8577 www.ReznyWealth.com