

Know Your Advisor [KYA]

When you open an account with an investment dealer you have to provide personal details like your income, net worth, risk tolerance , time horizon etc. This information, periodically updated, supports Know Your Client (KYC) rules that securities regulators have put in place. The theory holds that the more an adviser knows about a client , the better he can serve them. The recommendations he/she makes must be “suitable” based on the KYC.

There is however no equivalent form for an investor to Know Your Advisor-KYA . Not knowing your advisor can lead to unsuitable investments, higher costs, loss of capital and even “misappropriation of assets” as regulators refer to theft. So, here`s a form you can use to keep track of your advisor

Full Legal Name: _____ Title: _____ Designation: _____

Corporate affiliation (employer): _____

Academic credentials: _____ Professional credentials (list): _____

Coordinates: Phone _____ ; Cell _____ FAX _____ email: _____

Accessibility: 9-5 _ After hours_ Weekends___

Address: Business _____ Home: _____

Personal Website: _____ Educational Newsletter: _____

Registration : Y_ N_

Previous disciplines or fines: Y_ N_

Licensed to sell: Stocks_ ETF’s_ Bonds _ Options_ Mutual Funds_ Segregated Funds_

Age: _____ Years of relevant Experience: _____

Qualified to advise on : Investments_ Insurance_ Taxes_ Estate Planning _Integrated Plan_

Specialist in: Bonds _ Stocks_ Mutual Funds_ ETF’s_ Other(specify)___

Risk sensitive: Y_ N_

Listening Skills: VG_G_ Other_____

Explains recommended investments and risks in plain language? Y_ N_

Kenmar Associates
Investor Education and Protection

Client Base (%) : Seniors _ Youth _ All ages_

Number of clients: Average client account size \$_____

Conflicts- of- interest(identify and list):

Employs Engagement Agreement: Y_ N_

Uses Investment Policy Statement (see sample) : Y_N_

Software and hardware toolset (list) :

Prepares Financial Plan (review generic sample) :

Preferred Communications: face to face_ Phone_ email_

Communication Skills (plain language) : VG_ G_

Compensation Structure: Commission_ Hourly _ Asset based fee_

Expected Frequency of interaction: Monthly_ Annual _ As required_

Investment philosophy followed (see Appendix for sample) :....

Espouses active trading or a Buy-and- hold approach?

Portfolio Construction Approach: Individual Securities_ ETF's _ Mutual Funds_

Benchmarks provided so that the investor can measure performance :Y_N_

On-line access to account(s): Y_N_

Provides Personalized Rates of Return Reports: Y_N_

Frequency of Client Statements: Monthly_ Quarterly_ Annual_

Quality of Statements (sample) : Holdings with symbols_ M/M change in value _ Transactions_

Asset allocation_ Rate of return_

Type of Account: Discretionary _ Personal control_

APPENDIX: Sample Disclosure of Investment Philosophy

This is to acknowledge that John Doe has advised me that he believes capital markets are sufficiently efficient to justify the exclusive use of passive and/or asset class products. John believes this approach features relative predictability and relatively lower volatility. As such, he has advised that I consider building my portfolio entirely using these investment options, except where no such options exist.

John has further advised me that by using actively- managed investment products, I may be compromising the asset allocation set out in my Investment Policy Statement (as some Investment Managers modify their asset allocations on an ongoing basis), and that I may incur higher tax liabilities as a result of higher portfolio turnover. Moreover, these potential shortcomings do not offer any evident or reliably predictable quid pro quo as there is no research evidence to indicate that one can identify, in advance, that those actively- managed investment products will reliably outperform passive or asset class alternatives. As such, John's view is that neither fund picking nor stock picking should be attempted.

In essence, John believes that the role of financial advisors involves identifying tax minimization strategies, ensuring that clients have the right amount and right kind of insurance, setting and maintaining suitable asset mixes, extending time horizons and maintaining discipline. The one thing that he does not believe advisors should attempt is to identify securities or securities pickers that will "outperform" after fees over meaningful time horizons.

While there can be no assurances that the recommended approach will outperform an active alternative, John has advised me that in the very long run (20 years or more), it is highly probable that a passive or asset class approach will offer satisfactory long term, client specific, risk- adjusted, after- tax returns and may outperform active alternatives.

Client

John Doe

Date dd-mm-yy

Red Flags



- Lives flamboyant lifestyle
- Unwilling to provide written information, including provincial securities registrations and verifiable references
- Ignores or evades your questions.
- Fails to provide personal rates of return and proper client statements
- Asks you to sign blank forms or cheques
- Asks you to sign any documents you haven't fully read or don't fully understand
- Offers yields that are too good to be true

Kenmar Associates
Investor Education and Protection

- Suggests offshore investments
- Borrows money from you
- Asks you to name him as executor of your will
- Indications that a signature has been forged. or a form adulterated
- Account statements that don't originate from the firm
- Insists that an uninsured investment has little or no risk
- Offers a guaranteed investment or one with 'no risk'
- Advises you to put all of your money in one investment
- Recommends investments you don't recognize, and doesn't try to explain them clearly, or says they're too complicated to understand
- Argues with you or ignores your instructions
- Makes unauthorized trades
- Makes claims on performance guarantees that make no sense.
- Is vague about the amount of commission or fees he or she will earn
- Uses High pressure sales tactics with an insistence on an immediate decision;
- Unwilling to let you discuss the deal with another advisor or to get a second opinion;
- Suggests that you invest on the basis of trust or faith.

;