

Investor Quotient (“IQ”) Questions

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When is the last time you’ve assessed your “investor quotient” or IQ? The questions below raise critical issues regarding how you are currently being advised or, if you are going it alone, whether you may be missing important steps. If you are answering “no” to some or all of the main questions posed, it may be time for a financial checkup. A fee-only investment advisor with a passive asset class approach to investing can help. By answering “yes” to each of these questions, you are better positioned to assess, plan and take control of your financial goals.

Do you have an investment strategy?

Is your strategy a carefully planned approach, targeted to your and your family’s unique objectives, or a variety of “ideas,” patched together over the years?

Do you know what your returns are for your entire portfolio?

What has your *after-cost* investment performance been for the last one, three or five years, or longer? What returns information, if any, do you receive from your financial consultant?

Do you have a written Investment Policy Statement (IPS)?

Does your written IPS clearly state your financial goals, time horizon, cash-flow needs, risk tolerance, investment strategy and the types of investments you are willing to make?

How diversified is your portfolio?

What does diversification mean to you? If it simply means owning numerous stocks or funds, you may be failing to prudently manage your risk.

Do you periodically rebalance your portfolio?

Rebalancing ensures that your portfolio remains true to your carefully planned investment policy. Does your financial consultant ever offer clear guidance on when and how to rebalance?

Are you comparing your returns against appropriate benchmarks?

For example, a small-cap fund is riskier than a U.S. large-cap fund, so it would be inappropriate to compare small-cap fund returns against the S&P 500 (large-cap) Index.

Do you work with your financial consultant on a fee-only basis or do you pay a commission based on transactions?

A fee-only structure helps keep your advisor’s interests aligned with yours.

How are your after-tax returns?

Are you aware of the impact taxes can have on your net returns? Is your financial consultant tax-managing within your taxable accounts — throughout the year?

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Investor Quotient Questions (Continued) ...

_____ **Do you know what you are paying for your mutual funds?**

Are you aware of all fund fees, including loads and annual expenses?

_____ **If you hold individual bonds, are you aware of what they cost and why you're holding them?**

Have all broker mark-up fees (often hidden and high) been revealed to you? Are you aware of the ways low-quality bonds or poorly constructed bond portfolios can lead to unpleasant surprises?

_____ **Do you have someone to talk to about your financial goals?**

Will you know what steps to take if events in your life demand investment policy changes?

_____ **Do you know what it will take to retire in the style you desire?**

Have you planned for the impact return volatility can have on your retirement assets (especially if you experience negative returns during the early years of retirement)?

_____ **Could you or your spouse outlive your money?**

Are you aware that by definition more than half of us outlive our life expectancy?

_____ **Does your spouse have the professional advice needed to manage financial affairs in your absence?**

Does he or she know how to contact your trusted advisors?