



Post-Madoff Questions for Your Advisor

Given the headline events of the past few months, it's never been more apparent that people need to ask pointed questions of an existing or potential financial advisor. First and foremost, you should know where your money and securities are actually held. Most reputable advisors use an unaffiliated custodian for the safe keeping of your assets. This simple check and balance could have saved Madoff investors billions by identifying potential problems earlier.

With the Madoff event in mind, the National Association of Personal Financial Advisors (NAPFA) recently published the following questions to ask a potential advisor before establishing an ongoing relationship:

- Do you work with an independent custodian? Your advisor should not hold your money. Your money should be held by an independent custodian company and you should know the name of the company. You should also know how to contact the company, and your account numbers.
- Do you require a General Power of Attorney? A General Power of Attorney would allow an advisor to remove money from your accounts without your special consent. Typically, a Limited Power of Attorney, which only allows the advisor to make trades on your behalf, is preferred.
- Will I be able to make checks payable to the custodian? When making a deposit into your investment account, the check should always be made out to the custodian -- not to your advisor. Any advisor asking you to make a deposit check payable to them should raise a red flag.
- Will I be able to review all transactions that are made? You should receive account statements from the custodian that you open and review. If you have questions regarding any of the transactions, you should call your advisor immediately.
- Can I have copies of statements sent to a family member? If you are having a family member assist you with financial matters, tell your advisor you would like that member to receive a copy of your statement also. If you don't understand your statement, have your advisor take you through the statement in detail.
- How often will we meet with our advisor? You should meet with your advisor at least annually, and have email and/or telephone access if financial issues arise. Holding regular meetings has the added benefit of making sure that you and your advisor are clear about your current financial situation, goals, and investment strategy. If your advisor is vague or evasive, ask for more information.

The above questions are primarily focused on the issue of asset custody, but that's only a small part of what you need to understand about your advisor and his or her services. To obtain a more comprehensive list of questions to ask an advisor, NAPFA has developed a Financial Advisor Diagnostic, available at www.napfa.org/tips_tools/index.asp. This list contains 25 pertinent questions that will give you a 360° view of your advisor's service and business.

trueNorth uses Schwab Institutional as the custodian for all managed assets. As the custodian, Schwab holds and prices the securities in each of our client's accounts, and reports independently to clients each month. This separation of duties should provide peace of mind -- trueNorth never takes custody of your assets.

--Karen O'Brien. Posted 05/18/2009.