



Nine Things to Ask Your Advisor

Choosing an advisor in today's world can be a difficult task. There are many options available to you and it can be difficult to know where to start and what to ask. We hope this proves helpful to you as you consider your different options and we're always happy to talk about how Hayek Kallen can work with you to achieve your financial goals and objectives.

Do you have my best interest in mind? – Only a small percentage of advisors are held to a fiduciary duty with client assets. This means the advisor is legally required to put the clients' interests ahead of their own. Most Registered Investment Advisors (RIA) are fiduciaries, but broker-dealers are not. Companies such as Fidelity, Smith Barney, etc are not required to put your interests ahead of their own – they are simply required to show you 'suitable' investments, which can be a loosely defined term. Hayek Kallen is an RIA and we are glad to have a fiduciary obligation to our clients.

Who holds my assets? – In a post Bernie Madoff world, knowing where your assets are held is critically important. Hayek Kallen uses independent third-party custodians, Charles Schwab and TD Ameritrade, to hold your assets. We simply have authority to trade securities in your account while your assets are safely held with our custodians.

Can you guarantee me a return? – No advisor can guarantee a return. There is risk in every investment and you should be cautious of any advisor who suggests otherwise. At Hayek Kallen we strive to preserve capital first, then grow capital second. We evaluate a variety of investments and look for opportunities where we believe an appropriate return can be earned without taking excessive risk.

What is the liquidity of my holdings? – In case you need to sell securities and access cash, liquidity in your portfolio is important. Listed stocks trade daily and provide excellent liquidity. Most bonds of major issuers also offer significant liquidity. Your advisor should be able to fully liquidate your account in a week if absolutely necessary. Too many advisors use offshore funds or other esoteric instruments that benefit them through higher fees, but disadvantage you, the client, from a liquidity standpoint. Hayek Kallen invests only in liquid securities such as stocks and bonds of high quality issuers.

How easy is it to change advisors? – While no advisor ever likes to lose a client, it should be a relatively hassle-free process from your perspective. Any advisor that requires a significant lock-up period, notification period or fees for closing your account should be avoided. If your advisor is using liquid investments, as discussed above, you should be able to make a change at any time.



Who makes the investment decisions? – Many financial professionals that meet with retail clients are salespeople, not portfolio managers. There’s nothing inherently wrong with salespeople, but when you have questions about your portfolio, or specific holdings in your portfolio, your salesperson will only repeat standard talking points and often leave you feeling unable to answer the same question if someone asked you the next day. We do all our own investment research and make all the decisions on what to buy, what to sell and when to do it. When you have questions, we encourage you to contact us and are happy to walk you through our analysis and rationale. This is even more important in today’s volatile marketplace.

How frequent is communication? – Financial matters are very important for most individuals and you want an advisor who will work with you on all your financial issues. This can mean annual or semi-annual portfolio review meetings, it can mean working through retirement planning or the decision to pay off your mortgage. We strive to meet all clients face-to-face 1-2 times per year and encourage frequent communication with our clients, on any topic important to them. Additionally, we send clients a quarterly market commentary letter and various other economic and market related pieces we think clients will find beneficial and informative.

How are you paid? – This is an important question to ask and drill down on. Many advisors make money every time you buy or sell a security. They might make money if you use a certain accountant or buy life insurance from a certain firm. The number of ways some advisors get paid can make you wonder if managing money is even their core business. At Hayek Kallen, we make money only one way, a quarterly fee based on your total assets under management. We provide investment management services, a host of other wealth management services and it is all covered by our management fee. Every quarter we send you a billing statement showing you exactly what you paid us in fees. This level of clarity is unheard of in many parts of the financial services field, such as mutual funds and ETFs, where multiple layers of fees are deducted and investors are never told how much they’ve paid in fees.

How do you report returns? – You want an advisor that shows you very clearly how your accounts have performed. It should be simple and easy to understand. This is an area where too much information might be a sign that an advisor is trying to inundate you with data to blur the real picture. Performance is a simple analysis – you started with a certain amount of money, you received interest, dividends and capital appreciation and ended with an amount of money. With a simple adjustment for any deposits or withdrawals, we show you exactly how you performed over a period of time, net of your management fee.