THE CTA GUIDE TO Working with a 403(b) or 457 Advisor

Ask the Right Questions to Get Full Disclosure

CTA Economic Benefits Trust

CTA Business Initiatives & Development Department
CTAinvest.org

nea

A Message from Eric C. Heins

Eric C. Heins
President
California Teachers Association

Dear Colleague,

As educators, we spend our days helping children and young adults prepare for their future. Sadly, we often don't spend enough time preparing for our own futures.

If you are participating in your district's 403(b) or 457 plan, that's a great first step in working toward a more secure financial future. Saving and investing in a 403(b) or 457 plan can help supplement your CalSTRS or CalPERS defined benefit pension. But unlike these plans, 403(b) and 457 plans require that *you* make the investing decisions.

That's not always easy. When faced with dozens of vendors and sales reps in the lunch room, it can be hard to filter out the noise and make good decisions. In addition, 403(b) and 457 plans offer a wide range of investment options, and all of them involve fees of some kind, some reasonable and some not. These fees can have a significant impact on the amount of money you are able to accumulate for retirement. In fact, over the course of 20 or 30 years, they can run into tens of thousands of dollars that are ending up in someone else's pocket rather than yours.

CTA has developed this guide to help you learn how to uncover the fees in different investments, compare them and decide whether they are reasonable. It will also help you learn how to evaluate financial advisors and provide you with the right questions to ask to make an informed decision.

Be sure to take advantage of the investment education materials in this publication and the resources available at CTAinvest.org.

Sincerely,

Eric C. Heins

Eric C. Heins
President
California Teachers Association

> "It is our vision to provide a secure and dignified retirement plan for all CTA members."

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Pizza and Retirement Planning DON'T Mix

Busy educators are often ambushed in the lunchroom or break room by a friendly 403(b) "advisor" bearing muffins or pizza. It's important to realize that, more often than not, this person is not a credentialed financial planner or fiduciary, but rather a licensed insurance agent or registered representative of the 403(b) vendor working on commission. What does that mean to you?

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The agent in the lunchroom is recommending an annuity. What should I do?

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He or she may push annuity products that have high fees and surrender charges, and may recommend add-on features that pile on even more fees – all under the guise of being your "advisor!"

Why? Because commissions on annuities tend to be quite generous, typically at least 5.5% of the value of the annuity contract, and sometimes as high as 14% with add-ons, according to Bankrate.com. Let's look at a hypothetical example. Suppose the value of an annuity contract is $17,000. If the commission level is 5.5%, then the representative will earn more than $900 just for selling you the account.

Not only that, with many annuities the commission payment doesn't end with the sale. Instead, the agent may receive "trail" commissions indefinitely, paid out on the accumulation value of the contract. The way the insurance companies can afford to pay such generous commissions can be through the fees and underlying expenses you pay on a variable annuity or through the spread (the difference between the rate you are paid and the rate the issuer earns) on a fixed annuity.

That's not to say that mutual funds, which you can purchase directly through a 403(b)(7) custodial account or your 457 plan, don't have fees. And people who sell mutual funds can be paid commissions. You need to investigate those as well. See page 19 for more information on product fees.

Don't Be Sold, Be Informed

Before you get pressured by anyone to purchase a product for your 403(b) or 457 plan, find out what their credentials are, why they are recommending a particular product and what compensation they'll receive for recommending it. Use the full list of questions on pages 16-18 and the spreadsheets to compare products on pages 20 through 24. If you have a hard time resisting the sales pressure or getting the answers you need, simply hand him or her the checklist to complete and sign. If they're reluctant or provide incomplete answers, that's a good indication to move on.

Remember, sales agents or representatives hired by your 403(b) vendor are generally not required to put your best interest above theirs. This guide will help you explore your options for objective financial advice.

Ask your advisor to answer the questions on pages 16 to 18 of this guide.

Resources Available Through Your 403(b) Vendor or Online

If you aren't interested in hiring a financial advisor or want to avoid the tenacious 403(b) sales agent at your school site, you do have other options. Some of the 403(b) or 457 plan vendors provided by your district may offer a number of resources that can help you make investment decisions. Check to see if they offer any or all of the following direct invest options:

1) Online information about the investment options available. For fixed annuities, check the guaranteed minimum rate, the current rate and surrender fee schedule. For a mutual fund, check the historical performance and the fund's objective to see if it is appropriate for your financial goals, timeline and risk tolerance. For variable annuities, review the subaccounts available – you may find that you can invest more inexpensively in the same or a similar fund by directly purchasing mutual funds through a 403(b)(7) or 457 plan account. Finally, make sure to check that all fees are disclosed.

2) Online asset allocation models and risk tolerance questionnaires that can help you create your investment strategy and select appropriate products. This is very common in the 401(k) marketplace. It works like this: You contact the 403(b) vendor, likely at their call center or through their website. The 403(b) vendor licenses a financial software engine or has a proprietary tool that asks questions about your goals, timeline and risk tolerance, and the tool creates an unbiased recommendation on your asset allocation and/or products that you can apply to the vendor's offerings.

3) In the case of mutual funds, some vendors may offer the services of field reps who are registered investment advisors (RIAs) or toll-free phone access to RIAs. RIAs are registered with the Securities and Exchange Commission and may be fee-based or paid on commission. Some vendors may offer the services of a salaried plan education specialist. These individuals may be able to help you explore the fund options available so you can choose one that is

continued on page 4…

Are You a Do-It-Yourselfer (DIY)?

If you are comfortable with managing your own finances, you may prefer not to use the services of a financial or investment advisor. But like any DIY project – from tiling a bathroom to landscaping the yard – you need to be willing to put some time in to master the basics.

1. Review the vendors and investment options available in your district's plan. Contact your district and ask for details.

2. Determine an appropriate asset allocation based on your:

    - **Goals** (the kind of retirement lifestyle you envision and how much you need to accumulate to pay for it).
    - **Timeline** (the number of years until you retire or need to access the money).
    - **Risk tolerance** (how much investment volatility – or ups and downs in value – you can accept).

Visit *CTAinvest.org* and read the articles in the "Investing" section. View the videos and use the calculators at the site.

3. Once you decide on your asset allocation and the types of investments you want in your plan, go back to the vendors and investment options information and review the details, particularly about fees.

appropriate for you. Before using these services, ask how the representative will be compensated.

Independent Resources

If you choose not to use a financial planner, there are, in addition to vendor resources that may be available, a number of Web sites that can help you make informed choices. Here are just a few.

- Financial Industry Regulatory Authority (FINRA) Mutual Fund Expense Analyzer at *www.finra.org/fundanalyzer*.* Using this analyzer allows you to compare the expense ratios of up to three mutual funds at a time.
- Visit the Morningstar at *www.morningstar.com** to compare different funds, performance and expenses.
- Standard & Poor's Asset Allocation Profiler at *http://goo.gl/kd4WqY*** which can help you determine your asset allocation.
- The financial tools, calculators, videos, articles and other resources from California Teachers Association at *CTAinvest.org*.

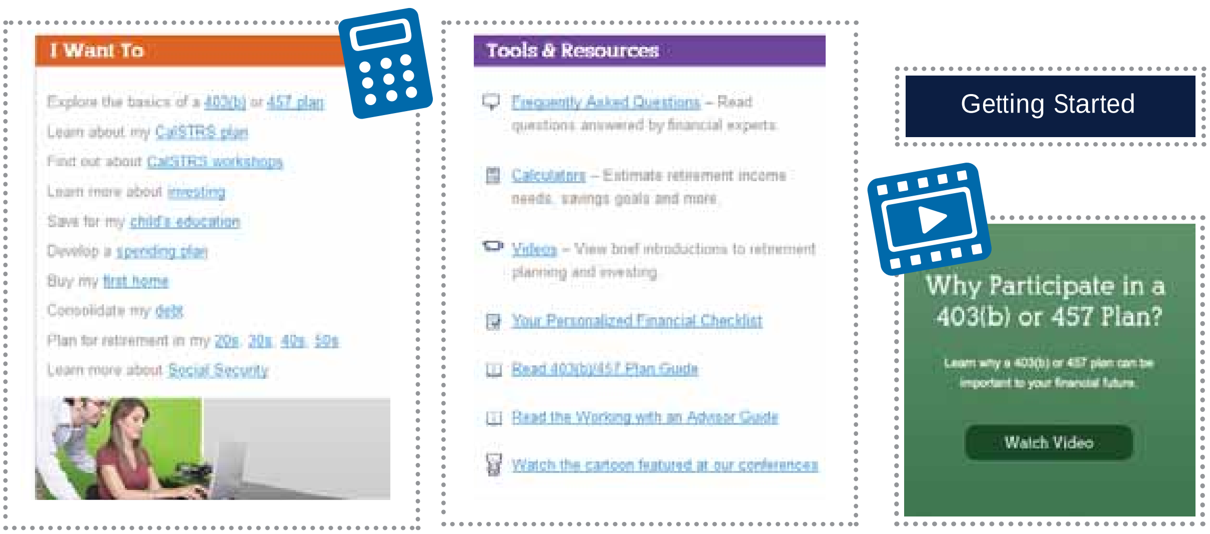
* The Morningstar feature is free but requires registration. Please note that these Web sites are provided for information only and are neither endorsed by nor affiliated with California Teachers Association.

** Full hyperlink to Standard & Poor's website: http:/fc.standardandpoors.com/ondemand/analytics/compute.vm?hnd=36&client=adp.

Before relying on financial advisors or representatives for advice, ask them to state – preferably in writing – that they will act as fiduciaries and offer unbiased advice. This means that their recommendations will not be influenced by the compensation they earn from the investment options you choose.

CTAinvest.org

RESOURCES FOR YOU



Should You Consider a Target-Date Fund?

Target-date funds may be another option for 403(b)(7) or 457 plan participants who don't have the time to actively manage their retirement plan accounts and don't want to hire a financial advisor.

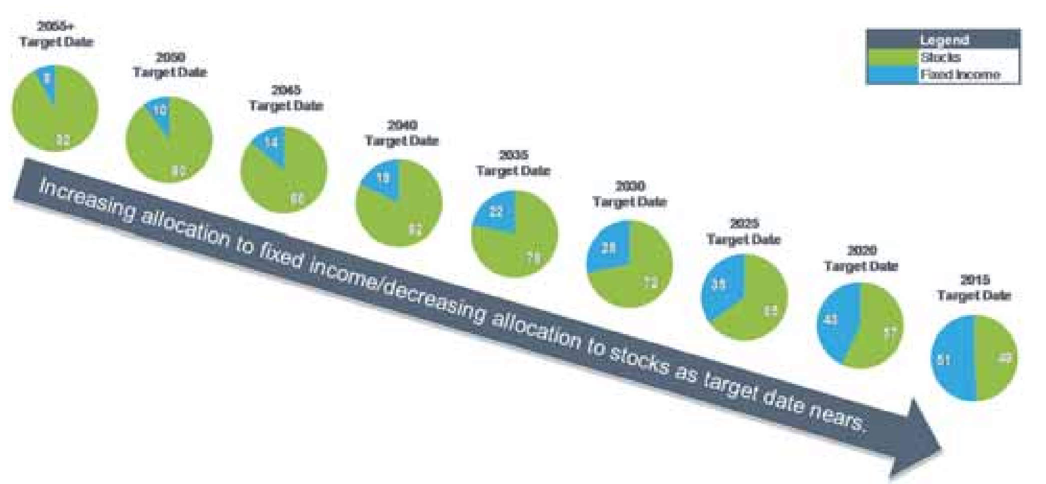
Target-date funds are designed to be a simple, all-in-one solution to retirement investing. You simply choose a target date on or near the date you plan to retire. The target date is part of the name of the fund. So, for example, if you plan to retire in 2030, you would consider a target-date fund with 2030 in its name.

Target-date funds automatically adjust their asset allocation as the target date nears, generally moving from a higher percentage of aggressive investments to a higher percentage of conservative investments the closer it gets to the target date. That means you do not need to rebalance and adjust your asset allocation – the fund does it for you. However, you still want to monitor the performance of the fund while you own it, since one target fund with the same target date as another may have different returns and expenses.

Keep in mind that, like any mutual fund investment, target-date funds are not insured. They do not guarantee that you will have enough money to retire by the target date. The amount of money you accumulate will depend on how much you have contributed and the performance of the fund over the years.

Finally, be sure to check out any fees, sales charges and the expense ratio of the fund before investing.

Typical Target-Date Fund Allocations



Typical target-date fund allocations are based on approximate allocations of the S&P Target Date Indices as of December 31, 2014.

Why You Might Consider Hiring a Financial Advisor

Devising an investment strategy starts with identifying your goals. Since 403(b) and 457 plans are designed for retirement savings, you begin to define a goal when you sign up to participate: these savings are intended for use in retirement. But a goal is only truly useful if it is specific and measurable. Do you know how much income you will need during retirement? Have you estimated what your expenses will be and thought about how long your money may need to last? And can you use all those estimates to arrive at a figure for the amount of savings you will need before you retire?

A financial advisor can guide you to reasonable estimates of the factors you need to consider and help you pinpoint your goals.

Weigh Your Investment Experience

Consider how comfortable you are making investment decisions and whether you have the expertise to manage your investments. Do you understand the potential risks and rewards of various investments? Do you know how to allocate your money among asset classes, such as stocks, bonds and more conservative investments to put together a balanced portfolio?

To choose investments wisely, you'll want to understand how to match an investment's objectives to your own, and be able to evaluate past performance. It's also important to be able to recognize the correlation – or lack of correlation – among investments in your account to help control risk.

There are dangers to choosing investments you may not fully understand, such as fixed or variable annuities. The guaranteed return of a fixed annuity may sound appealing, but do you understand that the return may be so low that it doesn't keep up with inflation – and the effect that will have on your buying power down the road? Also, annuity contracts may contain both benefits (e.g., a death benefit) and restrictions (e.g., hefty surrender charges) that are not necessarily appropriate for your situation.

If these matters are beyond the scope of your expertise, you might want to tap the knowledge and experience of a financial advisor.

It Takes Time

Think about how much time you have to devote to managing your retirement account. CTA provides education and information to help make the task easier. However, if you don't have or want to make the time to manage your 403(b) or 457 account, you may want to delegate the task to a financial advisor who will research investments available in your plan and give you unbiased advice.

For a professional financial advisor, staying up-to-date on investment offerings is part of the job description.

Can You Maintain an Even Keel?

Finally, reflect on the emotional aspects of investing. Some people panic when the stock market turns downward and, left to their own devices, would sell all their stock holdings. Others have trouble parting ways with an investment long past the time when it has served a valuable role in their portfolios.

A financial advisor can bring objectivity and discipline to your investment strategy, which can help you stay on track no matter what the market does.

Next Step: Consider Your Goals

When you choose to work with a financial consultant, advisor, professional or sales agent, you must first decide what kind of help you are looking for. Do you just need someone to help you choose appropriate investments for your 403(b) or 457 plan? Or do you want someone who can help you create a complete financial plan that covers everything from setting up a monthly budget to helping you develop an estate plan?

If you simply need some guidance to help you choose appropriate investments for your 403(b) or 457 plan, consider consulting the salaried plan education representative that some vendors have available to plan participants at no additional cost (be sure to check with the vendor first to see if there is a fee to use this service). These individuals can explain your investment options and give you the pros and cons of each.

If you are looking for a more holistic financial approach, you may want to meet with a financial planner who specializes in reviewing your entire financial picture rather than just one aspect. See the next section for more information about types of financial planners.

What Does That Title Mean?

One of the challenges in choosing a good financial advisor is that there is no single title or designation that covers every area of training or duties. In fact, people can bestow on themselves a variety of titles – financial analyst, financial advisor, financial consultant, financial planner, investment consultant – with no training at all!

So it's important that you understand what different titles and professional designations mean. The chart on page 9 lists some typical designations and how they are typically paid. There are many more designations used by advisors and planners. You can find a comprehensive list at the Financial Industry Regulatory Authority (FINRA) Web site at *www.finra.org*. Search for "selecting investment professionals."

What Is a Fiduciary?

Fiduciaries are individuals who are ethically and legally obligated to act in your best interests at all times. A fiduciary is the highest standard of care recognized by law; someone working in a fiduciary capacity is expected to be above reproach in carrying out their duties. If a fiduciary recommends an investment, it should be the best choice for your particular circumstances, with no regard for his or her own financial gain.

You can be a financial advisor and not have fiduciary responsibilities. Financial advisors who are not fiduciaries are held to a less stringent standard, called a suitability standard. That means they are required to recommend suitable investments, but they do not necessarily have to be the ideal investment for you.

Here's a hypothetical situation that illustrates the difference:

Suppose there are two mutual fund choices available to you in your 403(b) or 457 plan. Both are suitable for retirement investors, with good long-term performance records* and asset allocations that are appropriate for your situation. One is a no-load fund, and one has an upfront sales charge (load).

All else being equal, an advisor with fiduciary responsibilities would be obligated to recommend the no-load fund because it would be in your best interests to choose the fund that does not cost you any money to buy. An advisor who is not a fiduciary would be free to recommend the load fund, for which he or she might receive a commission, even if it costs you more, because the investment is still considered suitable.

Caution: In some cases, an advisor, insurance agent or financial planner may try to sell you an investment that is neither suitable nor in your best interests. Always ask how the person recommending the investment will be paid – and get it in writing – to help ensure you are not being sold an investment simply because it will result in the highest commission or greatest benefit to the person selling it.

See the next page for a list of financial advisors and who may or may not act as a fiduciary.

Bottom line: Although it is not necessary to use a financial advisor who has fiduciary responsibilities, it may be in your best interests to do so. If you have an advisor you trust or know of one with a good reputation, ask if he or she meets the fiduciary standard and, if not, why not. And remember, no matter who gives you advice, you must understand why a particular investment is being recommended, why it is appropriate for you and what fees are involved.

Ask the Right Questions

Regardless of whom you choose to help you develop your financial and / or investment strategy, you must:

- Determine the scope and type of services you need and expect (see page 6).
- Find out how the advisor is paid (see page 10).
- Ask whether there are any conflicts of interest.

Take a copy of the checklists on pages 16-18 with you when you meet with a financial advisor for the first time.

* Past performance is not an indication of future results.

Designation	Organization	How Paid?	Fiduciary?*
Certified Financial Planner (CFP)	CFP Board of Standards Inc.	Fee-based and/or commissions	Maybe
Chartered Financial Analyst (CFA)	CFA Institute	Fee-based and/or commissions	Maybe
Chartered Financial Consultant (ChFC)	The American College	Fee-based and/or commissions	Maybe
Chartered Life Underwriter (CLU)	The American College	Commissions	Not usually
Registered Investment Advisor (RIA)**	SEC**	Fee-based and/or commissions	Maybe
Accredited Investment Fiduciary (AIF)	Fi360	Fee-based and/or commissions	Probably
Registered Representative***	FINRA†	Commissions	Not usually
Broker/Dealer	FINRA	Commissions	Not usually
Insurance Agent	State insurance agency	Commissions	Not usually

There are many other initials that may be trailing an advisor's name – always ask what they mean. In addition, individuals without specific credentials may call themselves financial planners or financial advisors. They may be fee-based, commission-based or a combination. You need to ask whether they have fiduciary responsibilities in regard to their investment advice to you. Members of The National Association of Personal Financial Advisors are required by the organization to sign a fiduciary oath.

* Always ask whether an individual will be acting in a fiduciary capacity when giving you advice. In some cases, individuals may be acting as fiduciaries for some kinds of advice they provide but not for others.

** RIAs who manage $25 million or more in client assets generally must register with the SEC. If they manage less than $25 million, they generally must register with the state securities agency. Request Form ADV from the RIA to see if he or she is properly registered.

*** A registered representative who has successfully completed the FINRA Series 6 exam is licensed to sell annuities and mutual funds. One who has completed Series 7 and 63 can sell a full range of investment products. Do not confuse a registered representative with a registered investment advisor.

† FINRA is the Financial Industry Regulatory Authority, the largest independent regulator for all securities firms doing business in the United States.

How Will Your Advisor Be Paid?

Financial professionals can be fee-based or paid on commission or a combination. It's important to understand the difference and the pros and cons of each.

Commission-based. In this case, the person receives a commission based on the investment you purchase. *Pros:* You may not need to pay a direct fee. Instead, the fee may be paid by the vendor. Keep in mind, however, that indirect or implicit fees can eventually affect your return. *Cons:* Getting paid on commission can be a conflict of interest if the advisor's incentive is to sell the product with the highest commission rather than the product that is best for you.

Fee-based. There are several possibilities. Don't confuse fee-based, which can be a combination of fees and other payments from the vendor, and fee-only, which means the advisor receives no commission or other financial consideration based on the products he or she recommends.

Hourly fee or flat rate: In these cases, the advisor charges you for the time you spend with him or her, either by the hour or by the meeting. According to CNNmoney.com, planners' rates generally range from $150 to $300 an hour. If you choose to use a fee-only planner, ask for an estimate of total hours and the hourly rate before you commit. Also determine what services you want the planner to provide. If you are simply looking for investment advice for your 403(b) or 457 plan, that should not take nearly as long as a complete financial plan that runs the gamut from budgeting, tax considerations and retirement planning to insurance and estate planning. *Pros:* The advisor should be objective since there is not an incentive (commission) to sell you an inappropriate investment. *Cons:* There could be an incentive to have longer or more meetings than absolutely necessary.

Percentage of assets: The advisor gets paid a percentage of your assets, often about 1%, although some advisors tier their charges based on the value of the assets being managed. *Pros:* Since the more you make the more the advisor makes, there is an incentive for him or her to help you make as much money as possible. *Cons:* If your investments do well, the advisor makes more money even if he or she provides no additional services.

Note that some advisors may be paid a combination. Always ask if the advisor, agent or planner will receive a commission or other compensation on the product he or she is promoting. It's important to know this whether it comes directly out of your pocket (through a sales charge) or indirectly from the product vendor, since either way, it could have an impact on the advice you are given.

Remember: Transparency is good! It is to your advantage to know exactly what you are paying for and why, and what financial incentive the advisor, agent or other professional may have in recommending a particular product to you.

What Fees Could You Be Paying?

If you use the services of a financial planner, advisor or other professional, you may pay hourly fees, flat fees, commission-based fees or a percentage of your assets. Ask:

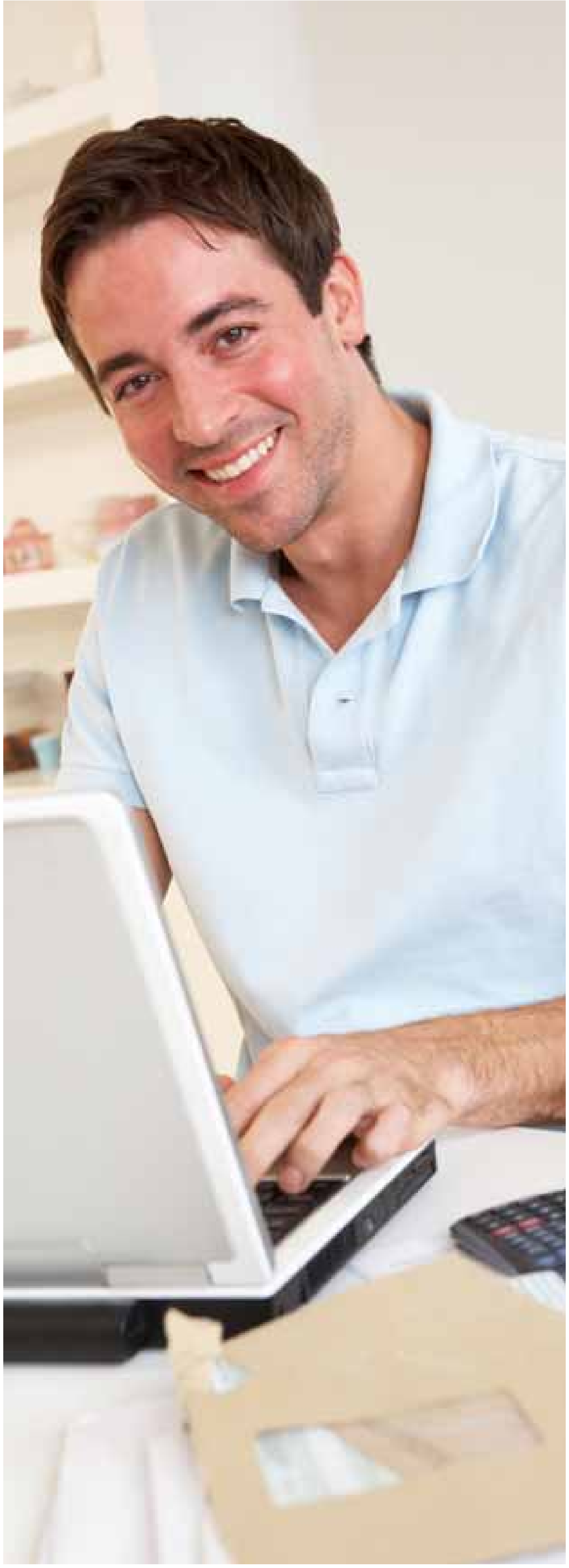
- If you are paid hourly, what is the hourly fee and what is the typical amount of time you spend working with a client?
- If you are paid by a flat fee, what is that fee and what does it include?
- If you receive commissions, either solely or in addition to other fees, on what products are commissions paid to you?
- If you are paid by percentage of assets, what is the percentage and how often is it charged?
- Do you receive any other considerations from the vendor for the products I purchase, such as in-kind compensation or gifts?

A FEE-ONLY FINANCIAL PLANNER DOES NOT RECEIVE COMMISSIONS ON THE INVESTMENT PRODUCTS HE OR SHE RECOMMENDS TO YOU. THEREFORE, YOU SHOULD EXPECT OBJECTIVE FINANCIAL ADVICE.

When Is Advice Really Free?

In some instances, a representative from a vendor approved by your district may come to your school and offer to help you choose investments for no fee. In some cases, districts may have hired a third-party administrator (TPA) to administer their 403(b) or 457 plan, and the TPA may be affiliated with a vendor. That vendor's sales agent may meet with district employees to promote products.

Ask if that representative is familiar with the products offered by other vendors. Also, if you don't have to pay an outright fee or an upfront sales load, it's important to find out if the advisor or agent has a financial stake in recommending the investment. Why? The investment may have a back-end load (a sales charge that you pay when you sell), higher operating costs that could eventually erode your return, or surrender fees that limit your ability to get out of the investment without a financial loss.



How to Find an Advisor

Friends and family who have a satisfactory relationship with a financial advisor may be able to give you a referral. Here are some other resources:

National Association of Personal Financial Advisors at *www.napfa.org*. This site can help you find fee-only financial planners in your area. **Note:** Members of NAPFA are required by the organization to sign a fiduciary oath.

The Securities and Exchange Commission has a site where you can search for investment advisors and view their ADV information. *Find a link at www.sec.gov/investor.brokers.htm.*

FINRA BrokerCheck® at *http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm* allows you to check the backgrounds of FINRA-registered brokers.

Note: Web sites are provided for information only. No endorsement is implied.

ASK IF THE ADVISOR IS WILLING TO WORK IN A FIDUCIARY CAPACITY ON YOUR BEHALF AND, IF SO, IF HE OR SHE WILL PUT IT IN WRITING.

Working with an Advisor

Once you have selected a financial advisor, it's important to build a strong working relationship with him or her. Few other professionals will have such a direct impact on your financial future. Mutual trust and clear communication are key. You should know what to expect from your advisor and in return, what your advisor will expect from you. To help you effectively, an advisor needs complete and honest information from you about topics that many people consider very personal, so be sure to choose an advisor with whom you feel comfortable.

What can I expect from a financial advisor?

Your financial advisor should learn enough about you to understand your goals and your tolerance for risk, then analyze your needs and help you evaluate various strategies for meeting your goals. Once you decide on a broad strategy, your advisor should help you select particular investments.

You should expect clear communication from your advisor. He or she should explain recommendations and why they are being made. All your questions should be answered clearly and to your satisfaction. You may want to take a list of questions with you when your meet your advisor, and take notes on the answers (see list of suggested questions on pages 16-18). In addition, your advisor should provide regular updates, reviews and progress reports.

What will a financial advisor expect from me?

Your advisor needs to know about your values and what's important to you. You should discuss your present financial needs and your future goals. Also, be sure to tell your advisor when you experience a major life change, such as getting married or divorced, having children, a death in the family, changing careers, starting or selling a business or receiving an inheritance or other windfall. These changes may affect your investment strategy.

How will I know if I'm on track to meeting my goals?

Your financial advisor should monitor the performance of your investments relative to your goals and suggest changes where needed. He or she should explain what information is on any financial statements you receive and how to interpret it.

You will also want to be in touch with your advisor periodically. Be sure to discuss your preferences for how often you want to hear from your advisor, and what means of communication you prefer – by phone or in writing. Also, establish how frequently you want to meet in person.

Firing Your Advisor

Not every relationship between a financial advisor and a client is a success. It's important to remember that it's your money and your financial future that's at stake. So if you feel that your needs are being neglected, if you suspect fraud or if the chemistry just isn't right, you may need to fire your financial advisor.

How Can You Tell?

It may be time to move on if your financial advisor …

… doesn't listen. Your investments need to be appropriate for your goals, time frame and risk tolerance. That will only happen if your advisor listens to what you have to say. Sometimes clients feel intimidated by an advisor's credentials or aura of authority and just keep quiet and go along with recommendations. But an investment strategy isn't in your best interests unless it's tailored to your needs, so speak up.

… is condescending. A good financial advisor wants an educated client, and will answer your questions and help you understand your investments. If your advisor leaves you out of the loop, it's time to change the relationship or find a new advisor. Ultimately, your financial well-being is your responsibility, so stay involved.

… doesn't have proper credentials and licenses. If your advisor claims to be a comprehensive financial planner, he or she should have an appropriate comprehensive credential, such as CFP (certified financial planner), ChFC (chartered financial consultant) or PFS (personal financial specialist). Other types of advisors have different credentials. The important thing is that the credential is appropriate for the kind of advice the advisor provides.

… acts illegally or unethically. Red flags include:

- An investment that sounds too good to be true. Be sure to compare expected investment yields with a well-established benchmark, such as a stock or bond index (Standard & Poor's 500, Russell 2000, MSCI EAFE, etc.). High yields are usually linked to high risk.
- An investment that's said to be "risk free." Investing involves risks; even the possibility of not earning enough to outpace inflation is a risk.
- High-pressure sales pitch. If you're urged to invest before you've had time to study written materials – or you're not offered written information – that's a sign of trouble.
- Recommendations that focus solely on potential returns, without detailing the risks involved.
- Advice to buy investments that are not appropriate for your circumstances. For instance, if you're near to retirement, risky, aggressive investments should not make up a major portion of your portfolio. Conversely, if you're just starting out, ultra-low risk investments that may not even keep pace with inflation may not be appropriate as a major portion of your portfolio.

… fails to provide an annual review. Choosing your 403(b) or 457 plan investments is not a one-time thing. Your advisor should review your selections each year to weigh whether they are still appropriate as your goals, timeline and risk tolerance change.

If You Fire Your Advisor

Civility, not anger, should rule the breakup. You may do something you'll later regret if you act in anger. Consider finding a new financial advisor before severing the relationship with the old one, and ask the new advisor about the best way to leave the other one. Be sure to get back any relevant records that your advisor holds.

Finally, notify the authorities, if necessary. If you suspect or know that the advisor is breaking the law or acting unethically, speaking with the appropriate regulators may save someone else from the problems you've experienced.

Products Have Fees, Too

There is no free lunch, and whether you pay a financial professional or invest on your own, there are fees involved in all the investment products provided by your 403(b) and 457 vendors. Use this checklist when considering your investment choices:

Question	How much?
Is there a flat fee (for example, administrative fee, fee for loans, etc.)?	____
If you are purchasing a mutual fund, is there a front-end sales load (charge when I buy the product)?	____
If you are purchasing a mutual fund, is there a back-end sales load (charge when I sell the product)?	____
For annuities, are there surrender fees? What is the percentage and for how long?	____
For annuities, are there liquidity restrictions? What are they?	____
Are there any wrap fees, such as for recordkeeping, education or broker's fees?	____
If you are purchasing a variable annuity, what is the mortality and expense fee?	____
What is the expense ratio for this mutual fund?	____
How does the expense ratio compare to other funds with similar objectives?	____
Is there a custodial fee?	____

DON'T WORK WITH A FINANCIAL ADVISOR WHO REFUSES TO DISCLOSE ALL FEES.

Questions to Ask Your Financial Advisor

About Him or Her

Are you acting in a fiduciary capacity? If not, why not?

What is your education and background?

How long have you been practicing?

Are you registered with the Securities and Exchange Commission?

Are you registered with the California Department of Corporations?

Do you have an insurance license?

What credentials have you earned?

Have you ever been disciplined for unethical or illegal conduct?

Are you limited to the types of products and services you can recommend to me? If so, why?

Do you have any securities licenses? If so, which?

Tell me about your investment philosophy and typical clients.

May I see a list of references?

Do you have any conflicts of interest here?

If I decide to work with you, how often will we need to meet? Will I meet with you or an assistant?

About Fees

Are you employed by a particular 403(b) or 457 plan vendor or are you an independent agent?

How will you be paid? Is it fee-based, hourly, a flat fee, do you receive commissions on the products you sell?

Do you represent a specific mutual fund company or insurance company? Or are you free to recommend investments from any vendor?

Do you receive any other consideration from the companies you represent or the vendors whose products you recommend, such as bonuses or finder's fees?

Please disclose in writing all fees, direct and indirect, that are included in the product(s) you are recommending to me.

About You and Your Investments

How can you help me define my goals?

If this is a subsequent meeting, notify the advisor if your goals or financial or personal situation have changed. If so, ask if your investments are still suitable.

Discuss the return on your investment. Ask, is this return meeting the expectations and goals we outlined?

Ask how frequently you will receive a statement and what information the statement will include.

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Does this investment match my investment goals? Why is it suitable for me?

Do you make more money if I buy this investment rather than another one? If you weren't making extra money, would your recommendation be the same?

Can you help me compare the investment products available in my 403(b) or 457 plan, their risk/reward potential and their costs?

How will this investment make money (dividends, interest, capital gains)? Specifically, what must happen for this investment to increase in value?

What are the specific risks associated with this investment? Will price fluctuations depend on changing interest rates, economic recession, stock market ups and downs, etc.? What is the maximum I could lose?

How has this investment performed over the long term and under various market conditions?

Please put your specific recommendations in writing for me.

Where can I get an independent evaluation of this investment?

What are the total fees to purchase, maintain and sell this investment? Are there ways I can reduce or avoid some of the fees?

How liquid is this investment? How easy would it be to sell and would there be a cost involved?

What types of securities does the investment hold?

What is a suitable benchmark for this investment and how does it measure up?

Glossary of Fees

Vendors of investment products are required to disclose fees – below are some common fees. Be sure to ask the vendor and your financial advisor about any fees or expenses associated with the product.

12b-1 Fee: Paid out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services.

Account Fee: Paid by investors for the maintenance of their accounts. It may apply only to accounts below a specified dollar level.

Administrative Fee: Covers record-keeping and other administrative expenses. It may be charged as a flat account maintenance fee or as a percentage of account value.

Contract Fee: This is a flat dollar amount charged either once at the time of issue, or charged once each year.

Custodial Fee: Charged for safekeeping or physically holding securities.

Exchange Fee (Transfer, Switch): Sometimes imposed if you exchange (transfer) to another fund within the same fund group or "family of funds."

Load (Sales Charge): The amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission.

Management Fee: Also called the investment advisory fee, this represents the company's cost for managing the money in the fund.

Mortality and Expense: This charge compensates the insurance company for insurance risks it assumes under the annuity contract.

Purchase Fee: Different from a front-end sales load, this is another type of fee that some funds charge when shareholders purchase their shares. It is paid to the fund (not to a broker) and is typically imposed to defray some of the fund's costs associated with the purchase.

Redemption Fee: Charged by some funds when their shareholders sell or redeem shares soon after purchase. Unlike a deferred sales load, a redemption fee is paid to the fund (not to a broker) and is typically used to deter frequent trading and to defray fund costs associated with a shareholder's redemption.

Rider Fee: A charge for a provision added to an insurance policy that provides additional benefits.

Surrender Charge: A fee assessed by the insurance company if you withdraw money from an annuity within a certain period after a purchase payment.

Withdrawal Charge: A fee charged by some annuities and funds when an investor takes money out of his or her account.

Wrap Fee: Charge for an investment program that bundles or "wraps" a number of services (brokerage, advisory, research, consulting, management, etc.) together and covers them with a single fee based on the value of assets under management.

Comparing Fixed Annuities

For account of: ______________________________ Date: _____________

Completed by: ______________________________

Name of Fixed Annuity	Company Rating	Minimum Guaran-teed Rate	Current Rate/Date	Principal guarantee?	Contract Fee	Annual Admin Fee
Ex.: XYZ Insurance Co./XYZ Fixed Annuity	AA-Standard & Poor's	3.00%	2% as of MM/DD/YY	Yes-100%	None	$25

Surrender Charge Schedule	Surrender charges based on initial contract date or each deposit?	Additional features	Comments
5% year 1, 4% year 2, 3% year 3, 2% year 4, 1% year 5, 0% year 6 and beyond	Initial contract date	Full accumulated value at death	Meets individual's needs for guarantee; fee and surrender schedules are reasonable

Note that the example is for illustration only and does not represent any specific fixed annuity. Fixed annuities are guaranteed by the issuing insurance company, so investigate the company's reputation for financial strength and stability.

Comparing Variable Annuities

For account of: ______________________________ Date: ______________

Completed by: ______________________________

Name of Variable Annuity	Company Rating	Subaccount performance* 1 Year	5 Year	10 Year	Since Inception	Contract Fee	Annual Admin Fee	Mortality & Expense Fee
Ex.: XYZ Insurance Co./XYZ Variable Annuity	AA-Standard & Poor's	5%	3%	8%	8%	None	$25	1.25%

Surrender Charge Schedule	Surrender charges based on initial contract date or each deposit?	Other fees and expenses	Unique Features	Comments
5% year 1, 4% year 2, 3% year 3, 2% year 4, 1% year 5, 0% year 6 and beyond	Initial contract date	Loan origination $100	n/a	Subaccount does not match investor's objective

* The variable annuity may have more than one subaccount, in which case, please list all applicable subaccounts.

Note that the example is for illustration only and does not represent any specific variable annuity. Investing in a variable annuity involves risk, including the possible loss of principal amount invested.

Be sure to read and understand the variable annuity information/prospectus before investing.

Comparing Mutual Funds

For account of: ______________________________ Date: ______________

Completed by: ______________________________

Name of Vendor/Fund	Annual Operating Expenses	Investment Objective	Sales Charge (Front-End)	Sales Charge (Back-end)	Other charges & expenses	Mutual Fund Performance 1 Year	5 Year	10 Year	Since Inception	Comments (suitability, etc.)
Ex.: XYZ Fund Co./XYZ Index Fund	0.08%	Growth and income	$50 flat fee	n/a	n/a	5%	3%	8%	8%	Matches individual's objectives + low cost

Note that example is for illustration only and does not represent the information for any specific mutual fund. Investing in a mutual fund involves risk, including potential loss of principal. Be sure you understand the potential risks and rewards of a mutual fund before investing.

DISCLAIMER