QUESTIONS FOR

YOUR ADVISOR

ALEXIS ADVISORS

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Questions For Your Financial Advisor

Below is a list of questions for the advisors you are considering. The list does not include some questions that we deem to be self-evident including asking about experience managing money, as well as asking to speak with a few current clients. Feel free to give us a call if you have questions about the questions!

1) *What is the advisor's approach to money management and managing market risk?*

Does the advisor take a "buy and hold" or proactive approach to managing client assets? A buy and hold approach typically buys and holds a core group of stocks and bonds and adjusts client allocations through a quarterly rebalancing process.

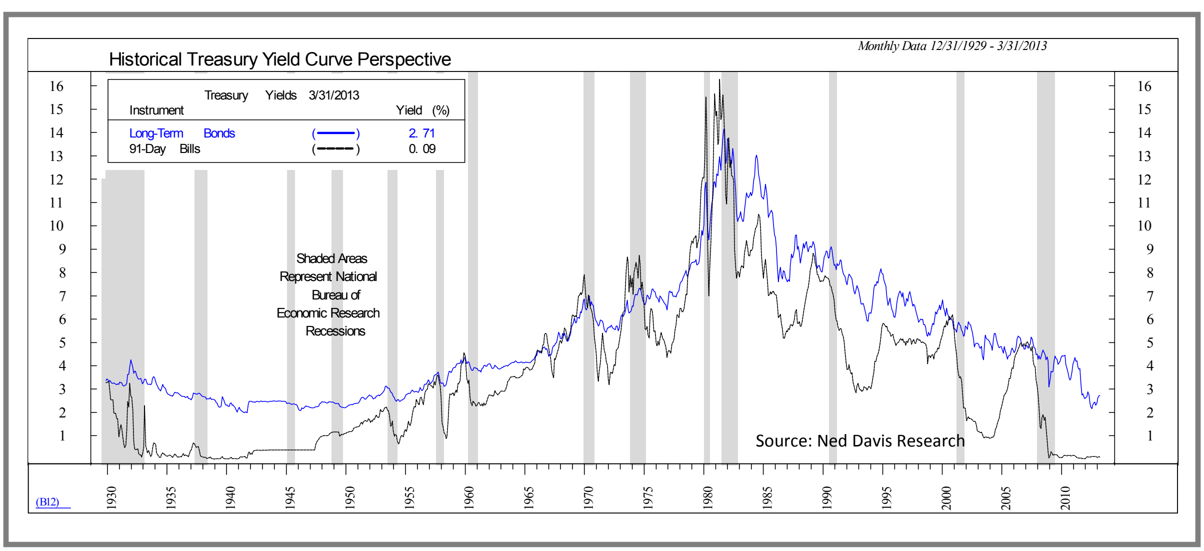
The "Law of Losses"

Starting Balance	Loss%	Balance	% Required to Return to Starting Balance
$500,000	25%	$375,000	33%
$500,000	40%	$300,000	67%
$500,000	50%	$250,000	100%
$500,000	56.8%	$216,000	131%

We all want to enjoy the fruits of a bull market. However, we believe there is no substitute for solid risk management - that is, striving to mitigate bear market losses. As per the table above, a 56.8% loss in your stock portfolio, which represents the peak -to-trough loss of the S&P500 Index during the bear market (10/9/07 - 10/9/09) requires 131% just to get back to whole. While results can never be guar anteed, endeavoring to minimize losses means starting from a higher asset level when the next bull market begins.

On the other hand, a proactive approach seeks to capture a portion of market up trends, and mitigate market downtrends in an effort to avoid catastrophic losses. If the stock market is trending up, the advisor applies a methodical approach to increasing the client's stock market exposure; if the stock market is trending down, then the exposure to the stock market is reduced, moving temporarily to the relative safety of a cash or money market fund. With a proactive approach, the advisor has a "Plan B" when the stock market starts to falter, rather than just following the market down.

Bonds have traditionally been used as the primary risk management tool by both individual investors and institutional money managers alike. However, with interest rates at near historic lows (see chart below), the traditional use of bonds has been called into question given the potential risks - when interest rates begin to rise, bond holders will be subject to loss of principal. With this in mind, another question might be to ask how the advisor plans to manage the bond component of your portfolio when interest rates rise?



2) What ***is the total cost, expressed as a percentage, of managing the account?***

A few possible sources of fees include:

- The advisor's management fee? (Typically between 1% - 2 %.)
- Custodial costs, expressed as a percentage.
- Commissions.
- If mutual funds and/or third party managers are used, what are the costs? Are there management fees? Commissions? Sales loads? Trailing fees or commissions?

3) ***What do you get for your fee?***

In other words, what service is the advisor providing in exchange for the fee you are paying? While performance can never be guaranteed, your advisor should be taking more than a "set it and forget it" approach. If the approach is primarily "buy and hold" with quarterly rebalancing, you can likely do this yourself! Ideally an advisor is pro-actively managing a portion of your assets, striving to capture bull market trends and to mitigate bear market losses.

4) Does the advisor rely on third party fund managers?

It's not uncommon for an investment advisor to focus on the relationship and selling side of the equation, and use third parties to manage the client assets. While the advisor may rebalance your portfolio quarterly, the actual money management is outsourced to third party fund managers.

Advisors may suggest that a third party can manage your money better then they. This may be true, however, using third parties may result in a lack of transparency and difficultly gaining access to the fund manager if you have questions about their investment strategy. Finally, outsourcing may add to the your total costs.

5) Is the "fox guarding the hen house" (also known as separation of function)?

This should likely go at the top of the list, rather than at the bottom. Separation of function just means that different firms are providing different functions, rather than having all services (broker/dealer, custodian, investment advisor) under one roof. Of course some firms, such as the large brokerage firms, are equipped to offer all functions and can offer solid consumer protection. However if you are working with a small firm, we believe it's best to have these functions separated, providing you with some checks and balances.

These questions will hopefully provide a basis for comparison among advisors and help you assess the familiarity and expertise the advisor may have with advanced investment concepts. If answers are clear and straightforward, with an offer of additional supportive material for further research, we would consider that a positive response. If replies are unclear, hesitant, or along the lines of "we let the home office handle that," we would recommend continuing your search.

Additionally, we recommend that you search Finra's Broker Check website before working with any investment professional (**http://brokercheck.finra.org/Search/Search.aspx**.) Broker Check is a free tool to help investors research the professional backgrounds of current and former FINRA-registered brokerage firms and brokers, as well as investment adviser firms and representatives.

We hope you will consider Alexis Advisors among your potential list of advisors. Remember that no investment methodology, whether real-time or back-tested, can assure future results.

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