



THE BAM ALLIANCE

A Community of Independent Advisors

Who, What, How: Questions to Ask When Deciding to Invest **Miguel Gomez**

Earlier this year, a multimillion-dollar scheme made local news here in the El Paso-Juarez region. The scam targeted entrepreneurs and professionals from El Paso, Texas, and Juarez and Chihuahua, Mexico with estimated losses of more than \$8 million.

This event motivated me to help educate investors who are trying to make an informed decision about whom to work with and whom to trust.

Verify Information

It's worthwhile to do your homework and find out more about the individuals and firm you are considering working with.

Research the investment firm

Visit the firm's main website and also do an online search so you can verify: 1) the office's address, 2) principals of the firm, 3) firm history and 4) any news about the firm from media or other sources.

Check that the individual promoting the investment is properly registered and licensed to offer investment services

You can verify this information at these sites:

FINRA BrokerCheck
SEC Adviser Search

You can look up information about Registered Investment Advisor firms by reading a firm's Form ADV at <http://www.adviserinfo.sec.gov/>. This document describes a firm's services, investment philosophy, compensation structure and conflicts of interest.

Ask Questions

In addition to the list of general questions you plan to ask, consider including the following questions.

Who will have custody of my money?

Do not write a check for investable assets to the advisor's name or to the name of the firm if those funds are to be invested for you. The check should be written to a custodian that will hold the assets. For example, Charles Schwab Advisor Services, Fidelity Institutional Wealth Services and TD Ameritrade Institutional are all custodians. Also, the investment account should be titled in your name.

However, an acceptable exception would be paying fees for investment services. In this case, a check or another form of payment would be made to the investment firm.

How are you being compensated if I invest with you?

Commissions are not inherently bad, but they should be properly disclosed to you. Be careful if you're told not to worry about commissions or if the question is left unanswered.

What are your fees?

You should know what fees you will be paying before you begin the relationship. Request a fee schedule in writing and verify it against the firm's Form ADV.

What is your investment approach?

Remember that there's no free lunch. If someone claims they can consistently achieve high investment returns with no risk, you should follow up by asking how it is possible as academic research has found that risk and expected return are related.

Recognize Warning Signs

You are offered an investment available for a limited time

You should carefully consider any limited-time offers being made available to only a select group of investors. Do not feel pressure to act. It's your money, and you should take your time to thoroughly research what you're being offered.

You are told the names of current clients to entice you to participate

Hearing that someone famous is an investor might add to the prestige of the investment, but it should not be the reason you choose to invest. The firm should also have a privacy policy that outlines your privacy guidelines and whether the firm is allowed to share the names of individual clients if they have given such permission.

You are not given a satisfactory explanation of the investment

If an investment is so complex that it cannot be described, or if you ask for but do not receive an explanation of what you are investing in, ask yourself why you would want to make this investment. You should not invest in something you don't understand, especially if your request for an explanation is ignored.

After researching the firm and hearing the answers to your questions, you should have more information to help you make a decision. The question you should then ask yourself is whether the individuals you spoke with, the investments being offered, and the philosophy and history of the firm you are considering will help you achieve your goals and protect your financial future. If not, it's OK to keep looking.

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Miguel Gomez is a client experience and marketing associate for Lauterbach Financial Advisors, LLC, an independent member of the BAM ALLIANCE.

Miguel's primary focus is on creating initiatives to strengthen client relationships and relaying the Lauterbach story to the public and the media.

He's been a speaker in various community events and has been a guest in radio, television and print publications discussing topics such as investing, marketing and immigration. Miguel also writes a personal finance column for Ser Empresario, a monthly business magazine distributed in the El Paso-Juarez region.

Miguel holds a marketing degree from the Monterrey Institute of Technology in Queretaro, Mexico. He is currently preparing to obtain the CFP® certification.

