

Questions To Ask Before Buying A Mutual Fund

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Introduction

Many investors purchase mutual funds without fully understanding the nature, risks and benefits of these products. Individuals who spend hours and days evaluating the purchase of a household appliance costing \$500 will often invest \$10,000 without any research at all. The questions below are designed to assist you in making a decision which will significantly affect your future financial position, and possibly determine whether you can attain your goals and dreams.

Any qualified investment advisor will have the answers readily available for these questions, and be pleased to answer and explain them, so you should not hesitate to ask. When doubt exists, you should seek a second opinion or an alternate investment.

Remember, its your money, which you worked very hard to earn - don't lose it !

1. Identify the name of this mutual fund

2. What type of fund is this, i.e. equity, money market, bond, balanced, etc.?

3. What are stated objectives for this fund?

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4. (a) What have the Compound Annual Average Returns been for the past 1, 3, 5, 10 and 15 years?

1.	3.	5.
10.	15.	

(b) Was there a significant market decline immediately preceding these periods which would inflate the results?

5. What have the annual rates of returns been on a year by year basis?

1.	2.	3.
4.	5.	6.
7.	8.	9.
10.		

6. What is the current mix of holdings of this fund?

Equity	
Money Mkt.	
Bonds	
Cash	

7. How much foreign content does this fund have now?

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8. Is it possible for me to lose any part of my original investment in this fund, however unlikely?

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9. Are there any guarantees to protect my investment in this fund, either for the fund itself or for the underlying investments?

10. Why do you think this investment meets my needs?

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11. How volatile is this fund? (Explain how volatility is measured, what is conservative & what is risky)

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12. Who is/are the manager(s) of this fund and what can you tell me about their past performance and experience?

13. How long has this person(s) been managing this fund?

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14. What are the annual fees charged (based on anuity to be invested) :

	Percent	Dollars
What is the Management Expense Ratio?		
What fee is paid to you for your services to me?		
How do these compare to other funds?		

15. What will it cost me to purchase this fund in:

Upfront commissions	
Redemption fees (over what time frame)	

16. How often will you give me a performance analysis compared to comparable industry bench marks?

17. Under what conditions will you recommend that I sell?

18. How often will I receive an investment statement?

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Will this report show:

- my cost for tax purposes, including re-investments?	
- my compound rate of return?	

19. How often will you contact me to update me on your recommendations and opinions on the performance of my portfolio?

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20. At what level of investment value, or under what circumstances, will it be more appropriate for me to hold my investments directly or in a "managed" account where the management fees may be lower? Explain my options.

21. What else should I know about this investment?

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