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**Sample Conversation Starters Script**

**Introduction**

The Form CRS/Form ADV Part 3 require investment advisers to include certain “Conversation Starters” in the disclosure brochure. These Conversation Starters are questions that retail investors can ask the investment adviser when determining whether to engage the advisory services of the investment adviser.

Although answers to the Conversation Starters do not need to be included in the Form ADV Part 3 (and, indeed, will vary based on circumstances), the investment adviser and its investment adviser representatives need to be prepared to discuss these topics. The investment adviser must ensure that the responses given by its investment adviser representatives are factual, accurate, and tailored to the client at hand. Answers to the Conversations Starters should avoid puffery and must not be misleading.

**Sample Scripts**

The following sample scripts are options that an investment adviser can tailor to its specific circumstances. The sample scripts cover Conversation Starters that might be applicable to an investment adviser firm. However, these sample scripts do not cover any Conversation Starters that would be applicable to a broker-dealer that is not also registered as an investment adviser.

To review the SEC’s “Instructions to Complete Form CRS”, visit

< <https://www.sec.gov/rules/final/2019/34-86032-appendix-b.pdf>>

***Conversation Starter:***If you are an investment adviser and not a dual registrant, include: “Given my financial situation, should I choose an investment advisory service? Why or why not?”***Sample Answer:***

*With an investment advisory service, you will set the overall direction and goals for the account, and I will execute that strategy by recommending or selecting a portfolio of securities that I believe will help meet your objective with the appropriate amount of risk.*

*Your advisory account would be constantly monitored to determine if changes are needed.  If you’d like, you can choose to grant me the ability to make changes to the portfolio of securities utilizing discretion, which means I would not need to contact you for approval prior to purchasing or selling securities in the account.*

*An advisory account can be a good choice if you do not want to be actively involved in the day-to-day management of your investments and you would like to have an investment adviser design a portfolio to meet your financial objectives.*

*In your case, ….  [Representative should discuss the client’s personal circumstances and how those align with the proposed advisory service.]*

***Note:***

Consider requiring the use of a client questionnaire or other document that captures the client’s current financial status, objectives, and risk tolerance. The representative should be prepared to tailor this sample response to include a brief discussion of the client’s financial status, goals, and risk tolerance. Of course, there may be instances where an investment advisory service is not in the best interest of the client, in which case the representative should discuss and document those unique factors.

***Conversation Starter:***If you are a dual registrant, include: “Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?”***Sample Answer:***

*Whether you choose an advisory service or brokerage service depends on your goals, how involved you would like to be in the day to day management of the account, and which type of account is more cost effective for you.*

*With an investment advisory service, you set the overall direction and goals for the account, and I execute that strategy by recommending or selecting a portfolio of securities that I believe will help meet your objective with the appropriate amount of risk.*

*Your advisory account would be constantly monitored to determine if changes are needed.  If you’d like, you can choose to grant me the ability to make changes to the portfolio of securities utilizing discretion, which means I would not need to contact you for approval prior to purchasing or selling securities in the account.*

*An advisory account can be a good choice if you do not want to be actively involved in the day-to-day management of your investments and you would like to have an investment adviser design a portfolio to meet your financial objectives.*

*If you prefer to have greater control over the account and receive as-needed guidance rather than ongoing monitoring, a brokerage service may be the better choice. In either case, our firm will help you evaluate which service is in your best interest – both at account opening and on an annual basis.*

***Note:***

In addition to a client questionnaire that gathers information about the client’s financial status, goals, and risk tolerance, the investment adviser firm should also use a checklist or questionnaire to document which account type is in the client’s best interest. As a best practice, this should be done at account opening and re-evaluated regularly thereafter. The investment adviser should be prepared to recommend or require clients to change account type if the current account type becomes unsuitable based on the client’s actual use of the firm’s services.

The representative should be prepared to tailor this sample response to include a brief discussion of the client’s financial status, goals, and risk tolerance. Of course, there may be instances where an investment advisory service and/or brokerage service is not in the best interest of the client, in which case the representative should discuss and document those unique factors.

***Conversation Starter***“How will you choose investments to recommend to me?”***Sample Answers:***

* *Our firm uses an investment committee that meets [weekly/monthly/quarterly] to discuss investments and create an approved investments list that our representatives can choose from based on your investment strategy. I monitor your account on a [daily/weekly/monthly] basis and will recommend changes when I think they are advisable.*or
* *I will review your financial status, goals, and risk tolerance with you, along with your investment horizon and any restrictions you may have. I generally follow the [insert theory name] theory of investing, which means [in a sentence or two, describe the investing theory]. I monitor your account on a [daily/weekly/monthly] basis and will recommend changes when I think they are advisable.*or
* *Our firm recommends one or more third party money managers to manage all or part of your account. Although we will help you choose the third party money manager and also monitor their performance, the money manager generally chooses the individual holdings in your account. I monitor your account on a [daily/weekly/monthly] basis and will recommend changes when I think they are advisable.*

***Note:***

This answer will be highly dependent on your investment adviser’s structure, your investment strategies, and the strategies of the representative managing the account. If your investment adviser recommends proprietary products or other investments that raise a conflict of interest, that information should be mentioned here.

***Conversation Starter:****“What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?”* ***Sample Answer:***

*I am licensed by the state of \_\_\_\_\_\_\_\_\_\_\_\_ as an investment adviser representative. In order to be licensed I [passed the Series 65 exam/was qualified due to past experience/ was qualified due to my status as a CFP, etc.].*

*I have \_\_\_\_\_ years of experience in the financial industry and \_\_\_\_ years as an investment adviser representative. [If applicable:] I also hold a degree in \_\_\_\_\_\_\_\_ from \_\_\_\_\_\_\_\_\_\_.*

*I am also a: [select from the following, as applicable]*

* *Certified Financial Planner (CFP)*
* *Chartered Financial Analyst (CFA)*
* *Personal Financial Specialist (PFS)*
* *Charter Financial Consultant (ChFC)*

*This is a voluntary professional designation that usually takes \_\_\_\_\_ [hours/years] of study, plus an exam, and helped me gain additional knowledge about the financial planning and investments. Maintaining this professional designation requires me to earn a certain number of continuing education credits every year. As a [CFP/CFA/ChFC], I’m also bound by an additional Code of Ethics that helps ensure I act in your best interest.*

***Note:***

This answer will vary by IAR, and we recommend that each IAR prepare a short elevator speech such as the example above.

***Conversation Starter:***

*“Help me understand how these fees and costs might affect my investments. If I give you $10,000 to invest, how much will go to fees and costs, and how much will be invested for me?”*

 ***Sample Answer:***

*We charge an annual fee of \_\_\_\_% to manage your account. On a $10,000 investment, that means the annual investment management fee payable to us is $\_\_\_\_, payable [monthly/quarterly]. This fee [does/does not] include execution charges and other fees that custodian, broker dealer, or recordkeeper might charge. For someone like you, those fees typically run approximately [give a reasonably accurate estimate or use a standardized chart that gives example/estimated fees. Be prepared to document the basis of the estimate].*

***Note:***

This answer will depend on the fees the firm charges, as well as other fees charged to the account by the custodian, broker dealer, recordkeeper, third party money manager, etc. Make sure the answer includes a discussion of any indirect costs, in addition to the investment adviser’s management fee.

***Conversation Starter:***

*“How might your conflicts of interest affect me, and how will you address them?”*

 ***Sample Answer:***

*No investment adviser is conflict-free. At our firm, we have a conflict of interest whenever we…*

*[Insert customized discussion of the investment adviser and/or investment adviser representative’s conflicts of interest. Below are a few sample scripts for common conflicts of interest.]*

* *We have a conflict whenever we recommend you rollover a 401k or IRA into an account that our firm manages. This is because we will earn an advisory fee if you rollover the account, but won’t earn any management fees if you do not. Before recommending a rollover, we will carefully evaluate your current fees and management of the account and will not recommend a rollover unless it is in your best interest.*
or
* *I have a conflict because I am both an investment adviser representative of this firm, and a registered representative of a broker-dealer [or, the RIA is dually registered]. Because of this dual role, I can recommend an investment advisory account or I can recommend that you use a brokerage account or both. Depending on which account I recommend and how you use the account, I can earn more money. Before recommending an account type and annually thereafter, I will evaluate your circumstances to see which type of account is most cost effective for you and thus in your best interest. I will always recommend the type of account that is in your best interest, regardless of how it might affect my compensation.*or
* *We have a conflict because we receive support services, tools, technology, software, research from the qualified custodian. Although we do use these tools to service your account, they are primarily for our benefit. We have an incentive to recommend you use this qualified custodian so that we can continue receiving these benefits. On an annual basis, we review our agreement with the qualified custodian and compare it to offerings by other qualified custodians to ensure that we are recommending the best qualified custodian for you and our other clients, without regard to the benefits we receive.*

***Note:***

This answer will depend on the investment advisers business structure and the policies it has put in place to mitigate any conflicts of interest. As a starting point for developing this section, review the investment adviser’s Form ADV Part 2A and/or Form ADV Part 2Bs, which should contain the conflicts disclosures for the firm and its representatives. For assistance developing a sample script specific to the firm’s conflicts, refer to RIA Compliance Consultants’ Conflicts of Interest – Checklist or contact your compliance consultant.

***Conversation Starter:***

*“As a financial professional, do you have any disciplinary history? For what type of conduct?”*

***Sample Answer:***

* *I don’t have any disciplinary history.*or
* *I was involved in a customer complaint, where [briefly explain circumstances].*or
* *I was disciplined by [regulating authority] for [briefly explain circumstances].*

***Note:***

The answer to this Conversation Starter will be heavily fact dependent and will vary by the investment adviser representative. If there is disciplinary history to disclose, the representative must be careful to be accurate and not misleading. The investment adviser firm should work with each of its investment adviser representatives to develop a script that is brief, factual and does not downplay or mislead retail investors about the event.

***Conversation Starter:***

*“Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?”*

 ***Sample Answer:***

Your primary contact will be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, who is an investment adviser representative at our firm. If you have any concerns, you can reach out to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, who is our [CEO/Chief Compliance Officer/Other Senior Employee]. The contact information for these individuals can be found [describe or highlight for the client where to find this information in their paperwork, on the firm’s website, etc.]