

ADV Review Checklist

Ensure your disclosures are accurate, complete, and compliant before sending them to clients. RIAs can verify all key details, reduce errors, save time, and build client trust and confidence.

Required

- List billing structure
 - Timing (quarterly, monthly, annual)
 - Advance OR Arrears
 - If you bill in advance, for lost clients: (Required)
 - What constitutes "notice" for lost client
 - What values and how you will calculate the rebate fee (if any)
 - Value(s) used to calculate
- List standard fee schedule
- If any clients have fee schedules off the standard, write "Fees are negotiable."

Additional

- Document calculation technique
 - Divide by 4 OR divided by 365/366
(Example: Fee calculated by the assets multiplied by the annual fee divided by 365 (366 in a leap year) multiplied by the number of days in the period.)
 - Confirm if accommodating for cashflows
(If tiered, is the resulting fee based on hurdles or blended? (Required))
(Example: If the fee is a tiered fee schedule, the asset breakpoints will be applied on a blended [or hurdled] basis.)
 - If hurdles, when is the hurdle decided? Each billing period? Annually? One time and maintained?
- Document how firm will get paid
 - If from the custodial accounts with one-time approval from client
 - Disclosure that you may be raising cash to pay fees
 - If you keep a minimum cash balance on hand to cover fees
 - If any clients pay directly, include that clients may pay you directly with written notice to the firm. (Required)
- Margin
 - Are margin balances available and included in valuations?
 - If margin exists on accounts, disclosure fees charged may put an account into margin which may result in interest
- Cash
 - Advise if you no bill OR special bill on cash balances

- Does "cash" include MMFs OR T bills?
- Billing by asset type
 - If you are billing by asset type, disclose what you consider certain assets. (For example, some advisors consider MMF's as cash, some consider them to be bonds.)
- Flat dollar fee
 - Document how the fee is paid over the year and how the fee is collected (from custodial account, invoicing client, payment system, etc.)
- Minimum fee
 - Document when are you reviewing for the "minimum" (end of the year OR each time you bill)
(Example: if the minimum is \$7500, that is \$625/month. In Jan, if the bill is \$628 nothing happens. In Feb, if the bill is \$623, the system adds \$2 to make it \$625.)
- Alternatives
 - Note if you are billing for these accounts from a liquid account
 - Advise what valuations you use to calculate
 - Describe any special fee structure described for alts
- Changes to the fee schedule
 - Can you update with new accounts with notice?
 - Do you require a signature no matter what?
 - If you are listing accounts, exceptions, you need to update that when any change is made.
- State requirements (if applicable)
 - CA requires statement to be sent
 - WA requires calculation technique to be included on the statement
- Additional helpful disclosures:
 - We rely on values provided by the custodian to calculate fees, there is no guarantee on the accuracy of the valuation. If the custodian updates the values at a later date, we do not make fee adjustments.
 - Items like trade date/settle date and reinvested versus cash dividends can result in the value on the custodial statement causing the fee calculation to differ. The account value used to calculate the fee may be different from the period-ending account value on your custodian statement; for example, dividends can be settled before or after the period ends.
 - Clients are advised to review the fee amount, compare it to the custodial statement and fee arrangement, and notify us of any discrepancies. The custodian does not verify the accuracy of the fee calculation.

Smart Kx helps save the headache and manage your ADV review process. Let's help you eliminate the need for manual checks and reduce the risk of errors or omissions. Focus on serving your clients knowing that your Form ADV Part 2 is fully verified and compliant with regulatory requirements.