

>: Your Broker's Hidden Agenda...

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Let's face facts, everybody. Most people don't go to work every day because they want to hear a narcissistic boss with bad breath lean over their shoulder and bark orders at them.

Most people don't go to work every day because they want to work with colleagues who pretend that they're friends only to stab them in the back the first chance they get.

Nor do you go to work every day to work with that young hot shot know-it-all that was still playing Pac-Man at some local arcade somewhere while you were already working in the "real-world".

Can any of you relate to any of this?

In many places of business, this is just the way it is, especially where I come from on Wall Street. When you have so much money floating around and so many hungry people willing to do virtually anything to get it, things can get ugly.

I remember when I was about eighteen years old (I'm in my 30's now, just in case you were wondering,) about the time that I started on Wall Street. I worked in a huge, beautiful skyscraper back then, and I had a very close "friend" who sat next to me.

We'll call him Blank Franciano. (This is an alias. If you weren't aware of that, then I have a bridge to sell you.) I also had a client who was a multi-millionaire, and, for whatever reason, he let me manage several million dollars of his money. We'll call him Bicheal. I was only eighteen years old!

As a nobody from Queens who at times couldn't even afford a pretzel from the local pretzel stand in Manhattan, I thought that I had "made it". Anyway, whenever I would get off of the phone with Bicheal, Blank would ask me, "How'd the call with Bicheal go?"

Naturally, I would reply, "Things went fine, etc."

Either way, I eventually left this beautiful skyscraper for another beautiful skyscraper in Manhattan (you know, there are a lot of those things in New York.) In other words, I changed jobs, boys and girls. Have any of you done this before?

You know some of the reasons that we do this. We may hate our boss, or we may go somewhere that pays us better. The retards who are in charge of corporate America don't understand that employees want two things, and they will work their hearts out for you; respect and a check. If you treat them with respect and dignity and maybe give them a little praise once in a while for a job well done, as well as compensate them fairly, then you will usually have hard-working, loyal employees.

Most of those who are on top were born with silver spoons in their mouths, so they can't relate to this. They are out of touch with the masses.

Let's get back to Bicheal and Blank (I have ADHD sometimes. This is a good, modern-day excuse for saying that I care about what I am doing and that's it.....ha ha.....sorry.)

When I left skyscraper#1 for skyscraper#2, my client Bicheal and his multi-million dollar account decided not to come with me. Can you guess why?

If you guessed that my "friend" Blank stole him from me, then you guessed right. While I was preoccupied with trying to make the transition between skyscraper#1 to skyscraper #2, my "friend" Blank Franciano convinced my client Bicheal that I was bad, and he was good.

This cautionary tale was to let you know if you didn't know already that you must go behind the scenes and try to understand what people's motives are. 99.9999% of the time they are economic in nature.

What about the economic motives of your broker?

Your broker is generally compensated in two ways.

1ST WAY

The first way is transactional in nature. In other words, your broker gets paid when he or she buy or sells stocks for you. Your broker will charge you a commission (up to 5%) when he buys or sells a stock for you.

For example, if you buy 1,000 shares of a stock at \$10, this obviously costs \$10,000. Your broker can charge you up to \$500 on top of that \$10,000

in commission.

What does a broker who is compensated in that way want to see happen? What's his incentive?

This broker wants you to **KEEP YOUR MONEY MOVING**. In other words, the more you buy or sell, the more commission he will make. This is not the best type of account for you if you trade a lot.

2ND WAY

The second way is generally referred to as a "wrap account". In other words, these brokers or financial consultants (whatever they call themselves, nowadays) just want to get as many of your assets under their roof as they can.

They do this because they are compensated in a fee-based way. In other words, they get a percentage of whatever money they are managing. For example if you give your broker, say, \$500,000 to manage in a wrap account, he may charge you 1.5% per year on this money no matter what happens to it.

This account is good for you if you happen to trade a lot, because you pay a flat rate. These accounts are sometimes referred to as "forgotten accounts" because once the broker gets all of your money and sets your money up in mutual funds or whatever kind of manner, you will never hear from him again.

He has no reason or incentive to call you more than maybe once a year to see if you're still alive, because he makes the fee regardless. In the 1ST WAY (scenario 1 above,) you will hear from your broker a lot more often because he has a financial incentive to call you.

3RD WAY

Many of our Tycoon subscribers simply get the research or ideas on their own (e.g. from the www.thetrendrider.com) and put in their trades online or from a discount broker. Obviously, you can save money on commissions this way, but I have heard people complain about getting lousy executions on trades (e.g. paying a price higher than they should have.)

When you don't do this stuff for a living and do it on a part-time basis, your mistakes can be costly, so be careful.

What to do?

Assess your own personal needs and structure an account that is right for you and where you are in your life. The best types of accounts are usually a combination of the three that are listed above. Do your homework, ask questions, and take notes.

The most important point is to remember what your broker's hidden agenda is.

Until the next time, folks, spend your hard-earned money wisely,

P.S. There are, of course, other ways for money managers to be compensated. Here, I just wanted to get your feet wet. Remember, always follow the money and learn to become a good detective.



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