



Personal Finance: Another Perspective

Investing 3: Securities Market Basics

Updated 2020/02/24



Objectives

- A. Understand the different types of securities markets
- B. Understand the basics of brokers and investment advisors and how to buy and sell securities
- C. Understand how to choose a broker or investment advisor
- D. Understand the uses and types of investment benchmarks



A. Understand the Different Types of Securities Markets

- What are securities markets?
 - Securities markets are where securities, i.e., financial assets, are traded
- What are the two different types of securities markets?
 1. Primary markets
 - Markets for trading newly issued securities
 2. Secondary markets
 - Markets for trading already issued securities



Types of Securities Markets (continued)

- What is traded in the primary markets?
 - There are two main forms of primary issues:
 1. Initial public offerings (IPOs)
 - These are the very first shares ever issued by a company
 - Investment bankers serve as underwriters or intermediaries for these IPOs
 2. Seasoned new issues
 - These are new shares being issued by a company that is already publicly traded



Types of Securities Markets (continued)

- What is traded in the secondary markets, i.e., markets where existing securities trade?
 - Secondary markets trade previously owned shares of stocks, bonds, and other securities
- What do secondary markets consist of?
 - Secondary markets consist of organized exchanges and over-the-counter or electronic markets where existing shares are traded



Secondary Markets: Organized Exchanges

- What are organized stock exchanges?
 - Areas used to facilitate trading of financial instruments
- What are the major organized exchanges?
 - New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), and regional exchanges
- Are there other exchanges?
 - Yes, the Pacific, Chicago, Philadelphia, Cincinnati, Intermountain, Spokane, and Boston Stock Exchanges. But these are very small



Secondary Markets (continued)

- What is the largest exchange?
 - The largest exchange is the New York Stock Exchange (NYSE)?
 - It is over 200 years old
 - It is limited to 1,366 seats (since 1953)
 - It has over 3,000 listed companies
 - Generally 80% of the US daily trading volume is done on the NYSE



Secondary Markets (continued)

- What is an Over-the-Counter (OTC) Market?
 - It is an electronic network of dealers used to execute trades without specialists or middlemen
- How are OTC Trades executed?
 - “Pink sheets” of smaller little traded stocks
 - National Association of Securities Dealer Automated Quotations System (NASDAQ computer trading)
 - National Market System (NASDAQ/NMS computer trading)
 - Handles 35,000 smaller, less traded securities with no listing requirements



Secondary Markets – Bonds

- What about bonds?
 - No organized secondary bond market exists, as there is little demand among individual investors and the transactions costs to trade bonds are small
 - Individual investors must work through a broker, who buys or sells with a bond dealer
 - Government bond trading is dominated by investment houses, commercial banks, and the Federal Reserve. Some bonds (EE and I) and some treasury securities can be purchased directly over the internet at www.savingsbonds.gov



Secondary Markets - International

- What about international bonds?
 - The international bond market is huge, and exceeds \$25 trillion in assets
- What about international stocks? Where do they trade?
 - NYSE, AMEX, and NASDAQ trade some international companies
 - You can also trade American Depositary Receipts (ADRs)
 - ADR's are receipts for international shares held on deposit by foreign banks. These receipts represent ownership of the international shares
 - You can also invest directly in many mutual funds which invest internationally



Questions

- Any questions on the different types of securities markets?



B. Understand the Basics of Brokers and Investment Advisors

- What is a stockbroker?
 - A stockbroker is a person who is employed by and solicits business for a commission house or merchant
- What is an investment advisor?
 - A person or an organization that helps makes the day-to-day decisions regarding a portfolio's investments for investors
- What do they do?
 - They both want to be responsible for making your investment trades and decisions for a fee



Brokers and Investment Advisors (continued)

- How do you pay them?
 - They are generally paid by:
 1. Commissions
 - You pay either a percentage of every buy or sell order (e.g., 80 bps per trade), or a specific charge for a trade (e.g., \$9.99)
 2. A percent of assets under management
 - You pay a percent of your assets under management (i.e., if you have \$500,000 with them and their fee is 1.0% per year, you will pay them \$5,000 per year)
 - 3. A combination of both
 - You may be charged other fees as well



Brokers and Investment Advisors (continued)

- When must you work with brokers/investment advisors?
 - Buying and selling stocks, bonds, ETFs and some mutual funds with loads or sales charges
 - If you wish to purchase stocks, bonds, or load mutual funds, you will need a broker
 - What if you only want to purchase mutual funds and treasury bonds?
 - You can buy most no-load mutual funds directly from the mutual fund company without cost or from some brokers also without cost
 - You can buy some treasury securities directly from the US Treasury via www.treasurydirect.gov



Brokers and Investment Advisors (continued)

- What are the different types of brokerage firms?
 - Full-service brokers
 - They will give you all the tools, research and other advice to help you trade and invest
 - Discount-service brokers
 - They only perform trading, but usually at a 50% to 70% discount to full-service costs
 - Deep-discount and On-line brokers
 - Even cheaper, they do only trading, but at a 90% discount to full-service
 - On-line can even be cheaper with other services



Brokers and Investment Advisors (continued)

- Types of brokers and investment advisors
 - Captive brokers
 - Brokers whose company is part of a group which owns a mutual fund company. These brokers may be encouraged to sell company mutual funds which may not be the best fit for the investor but are in the interest of the company
 - Independent brokers
 - Brokers whose company is not part of a major chain or who own a captive mutual fund company. They may be inclined to give unbiased advice as they do not sell specific mutual funds



Brokers and Investment Advisors (continued)

- What are the major brokerage account types?
 - Cash accounts
 - Money with the broker which you use to pay for purchases or receive any cash. There is a specific time between notification of purchases and when the purchases must be paid
 - Discretionary accounts
 - Accounts where you authorize a broker or investment advisor to make trades for you and your account. Exercise caution with this as the broker can buy and sell securities at will and you are responsible for all taxes and commission costs



Brokers and Investment Advisors (continued)

- Margin accounts
 - Accounts where you borrow from the brokerage firm to purchase financial assets. This is debt, and can amplify both gains and losses.
 - Maintenance margin
 - Money you put up to buy on margin
 - Margin call
 - A call by the broker to put up more money when your margin declines below a certain level
 - **DO NOT BUY ON MARGIN!** This is using debt to invest. You can lose more than your original investment doing this.

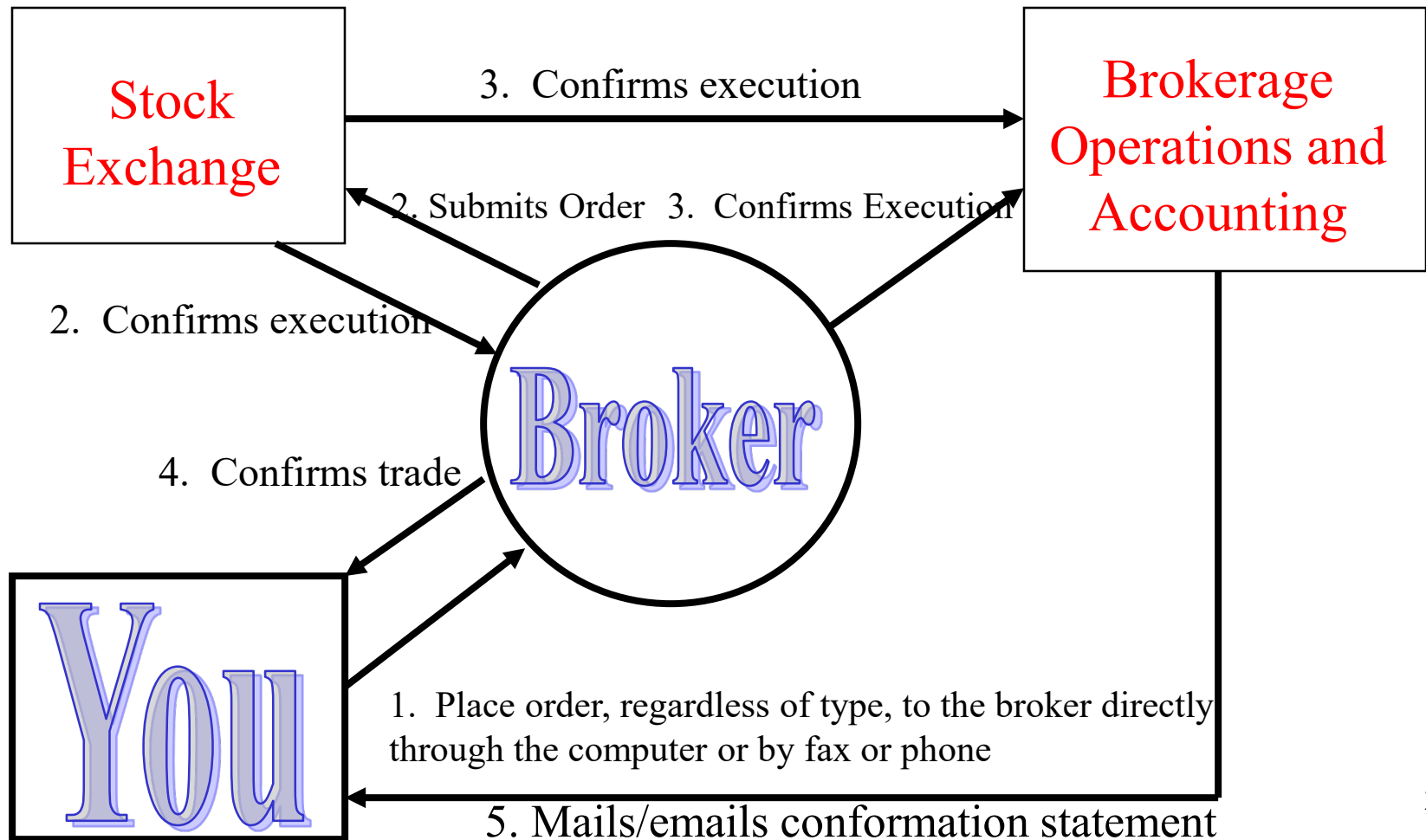


How to Buy and Sell Securities

- What is the process of buying and selling stocks?
 - The broker is the intermediary between the buyers and sellers of stock or ETFs
 - The investor places the order with the broker either indirectly through the phone or fax, or directly through the internet
 - The broker takes the order to the securities exchange
 - If successful, the broker executes the trade on the exchange
 - The broker notifies the investor and funds are exchanged

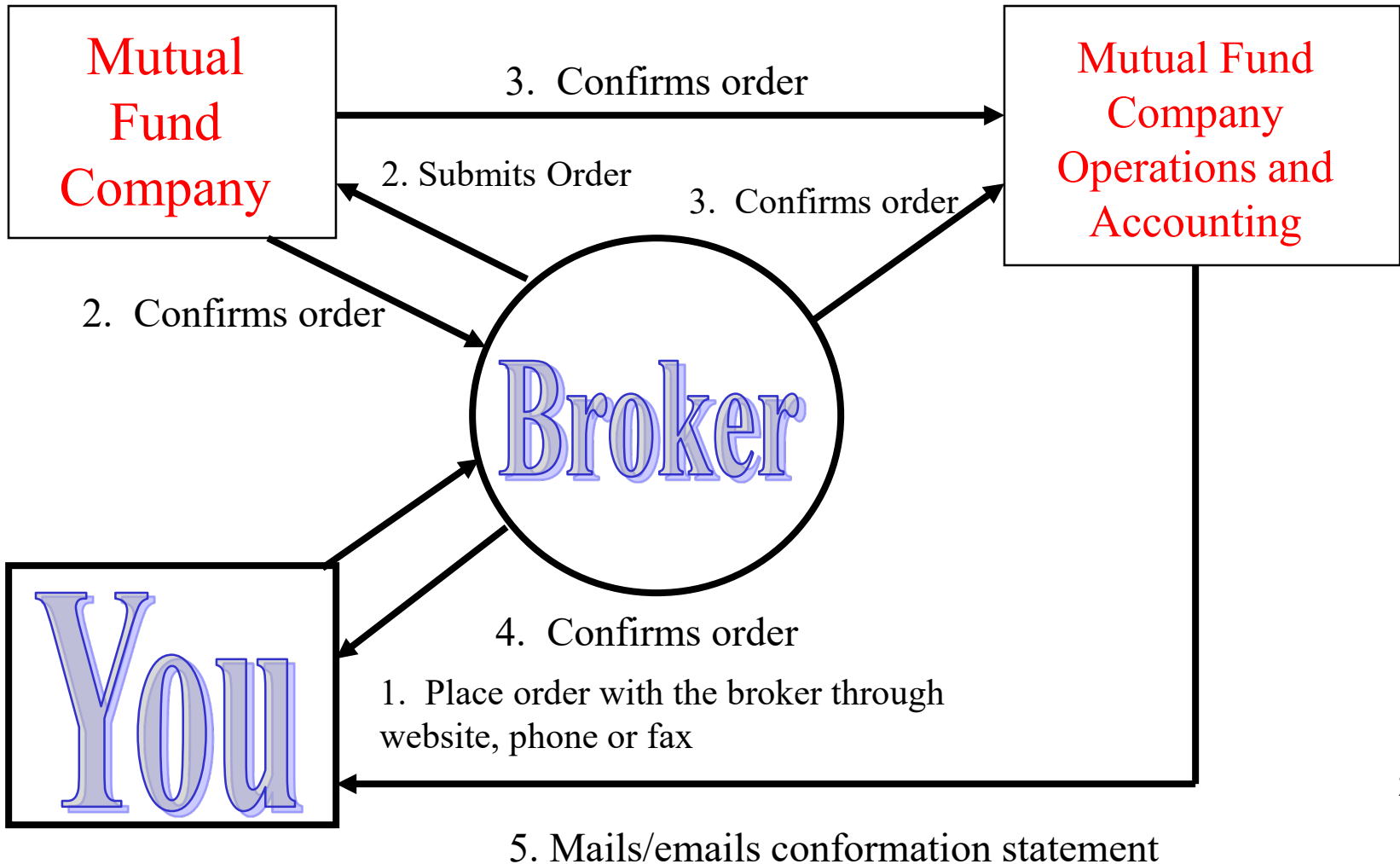


How to Buy and Sell Stocks/Bonds/ETFs





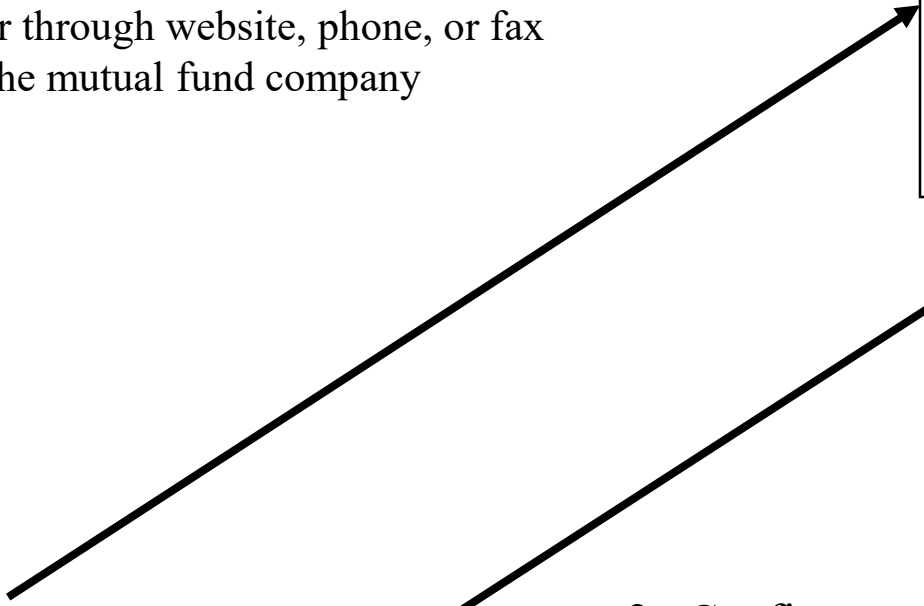
How to Buy and Sell Mutual Funds with a Load



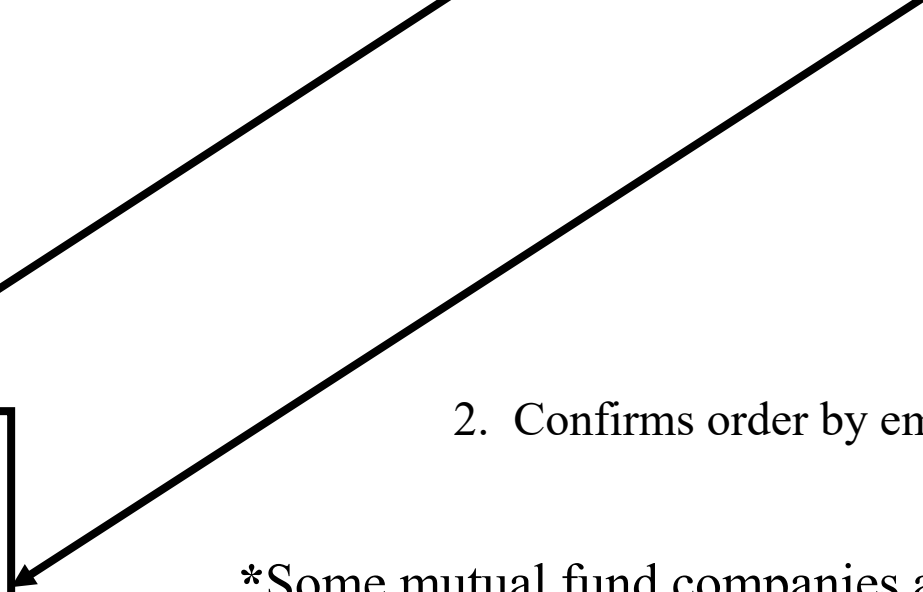
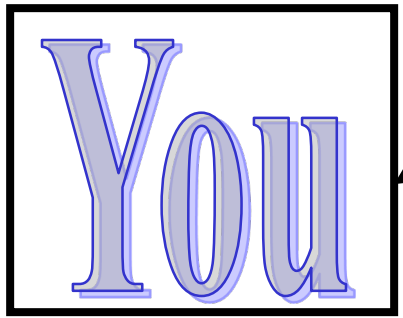


How to Buy and Sell No-load Mutual Funds and ETFs from the Mutual Fund Company*

1. Place Order through website, phone, or fax directly with the mutual fund company



2. Confirms order by email or mail



*Some mutual fund companies allow purchase their ETFs directly from them without commissions



Buying and Selling Securities (continued)

- How are the orders placed with the broker?
 - Orders are placed through buy and sell orders
- What are Buy and Sell Orders?
 - Orders to purchase or sell a specific quantity of a specific security at either a specific or market price
- Does size make a difference on buy and sell orders?
 - Yes. Round lots are easier to sell than odd lots
 - Round lots are generally orders of 100 shares, and odd lots are orders of 1 to 99 shares
 - You will get better execution and price with round lots



Buying and Selling Securities (continued)

- What are the major kinds of orders used?
 - Day orders
 - Orders to buy and sell which are good only until the end of the trading day.
 - Open orders (GTC: good till canceled, GTD: good till date specified)
 - Orders which are good until filled or canceled.
 - Be very careful with open or GTC /GTD orders. If you fail to cancel specific orders, you might have orders filled that you forgot to close out



Buying and Selling Securities (continued)

- Market orders
 - Orders to sell or buy a specific number of shares at the currently available or market price.
 - Be careful as the market can move quickly and dramatically between when you place the order and order execution time
- Fill or kill orders
 - Orders which must be either filled or canceled immediately. Most often these are market orders



Buying and Selling Securities (continued)

- Stop (or stop-loss) orders
 - Orders to sell a specific number of shares if the stock price falls below a certain price or buy a specific number of shares if the stock price rises above a certain price
 - Use care to set prices to safeguard against major fluctuations
- Limit orders (this is the least risky method)
 - Orders to sell or buy a specific number of shares at a specific price or better. This is generally the best method in working with brokers



Buying and Selling Securities (continued)

- How do you register your shares or bonds?
 - Street name registration
 - Shares remain in the broker's custody and under the broker's name.
 - Joint accounts
 - Shares are owned with a spouse or partner
 - Joint tenancy
 - Shares are owned with a partner with the right of survivorship
 - Tenancy-in-common
 - When one shareholder dies, the deceased portion goes to the heirs, not to the other shareholder



Questions

- Any questions on working with brokers and buying and selling securities?



C. Understand how to Choose a Broker or an Investment Advisor

- How do you choose an Investment Advisor or Stock Broker?
 - Determine your needs. Do you need help to:
 - 1. Execute and to custody stock and bond trades?
 - 2. Decide which stocks, bonds, or mutual funds to purchase, i.e., the investment decision?
 - 3. Get outside advice regarding investments, or someone to review your investment plan?
 - 4. Purchase no-load funds that you choose?
 - Decide what you need and get quality help from the best individuals and institutions



Choosing an Advisor (continued)

- 1. If you are comfortable making the investment decisions, but need help executing stock and bond trades, you may want to look into discount broker (DB)
 - A DB provides reduced commissions on trading, but does not provide any investment advice
 - You determine what to buy and sell
 - You give the orders to buy and sell
 - The discount broker executes your orders for a lower price compared to full-service brokers



Choosing an Advisor (continued)

- 2. If you are not comfortable in making investment decisions and would like help, you may want to look to a full-service broker or investment advisor (FSB/IA)
 - A FSB/IA provides a large variety of services to its clients, including research and advice, retirement planning, tax tips, and much more, including:
 - They help you decide what to buy or sell
 - They keep you informed about market changes
 - These additional services come at a price, as commissions at full-service brokerages are much higher than with discount brokers.



Choosing an Advisor (continued)

- 3. If you are comfortable making investment decisions, but would like outside advice or someone to review your investment plan, you might talk with a investment advisor (FSB/IA)
 - A FSB/IA could provide advice on retirement planning, tax tips, and much more that may be helpful
 - You could negotiate for an up-front fee for a specific amount of time, or agree to make specific trades through the advisor to compensate them for the advice



Choosing an Advisor (continued)

- 4. If you invest only in mutual funds or ETFs, and make all your investment decisions yourself, you may not need a broker or investment advisor at all. Go directly to the mutual fund company
 - You can buy many of your funds without charge or load directly from the fund family or from a mutual fund supermarket
 - In addition, most of these can be purchased directly without sales charges, loads, or 12-b1 fees
 - Make sure you have sufficient funds for the minimum investment



Choosing an Advisor (continued)

- Things to remember when working with a broker
 - The broker is working for himself or herself
 - Do your homework and take responsibility
 - Be aware of the potential for conflict of interest. In addition, captive brokers may have further incentive to encourage you to buy their company mutual funds
 - You do not have to pay for brokerage advice
 - If you know what you want, for stocks and bonds you can use an internet or deep-discount broker, and for mutual or index funds you can use a no-load family of funds



Choosing an Advisor (continued)

- Keep costs to a minimum
 - Trading incurs significant transaction and tax costs. Utilize a buy and hold strategy
 - Eliminate most front-end loads, 12b-1 fees and high management fee funds. A dollar saved in costs is a dollar increase in returns
 - Use index funds and apply a buy and hold strategy to reduce costs is not satisfied with active-manager's performance
- For bonds, go full service or buy direct
 - The broker makes his cut if you go through him



Choosing an Advisor (continued)

- What to look for in choosing a broker or investment advisor?
 - The best brokers/advisors are those that:
 - Have your best interest in mind
 - Have expertise and licenses in the financial areas you think are important
 - Help you to feel comfortable with them
 - Don't trade a lot
 - What are the attributes of a good broker or investment advisor?



Choosing an Advisor (continued)

- Integrity, intelligence and efficiency
 - Make sure they are totally up-front regarding all costs and commissions
- Experience in both up- and down-markets
 - Never trust your money to someone who cold calls you on the phone. You are purchasing experience
- Someone who listens
 - Make sure they spend the time with you to know your investment philosophy and read your investment plan. If not, go somewhere else
- Reputation for allowing customers to say no without pressure
 - If you feel pressure, get another broker!!!!



Choosing an Advisor (continued)

- Required Licenses for Brokers/RIA/FPs:
 - Series 7 General Securities Representative: Required for anyone employed by a broker/dealer who will trade all types of securities. The Series 7 covers the Series 6 (for mutual funds), Series 22 (limited partnerships), Series 42 (options), Series 52 (municipal bonds), and the Series 62 (corporate securities) exams. (note: A CFA can substitute for the Series 7 license)
 - Series 63 Uniform Securities Agent Laws: required for registered representatives and securities agents
 - Series 65: required for registered investment advisers



Choosing an Advisor (continued)

- Check if your Broker or Investment Advisor is licensed or registered. If they are not registered or licensed, do not work with them!
 - To do this, there are three different places to check.
- 1. SEC Investment Advisor Public Disclosure database at (for any advisor or firm that does electronic filing)
 - This gives information on the firm ADV. This includes who they are, number of employees, how much they manage, do they have any disciplinary actions pending or in the past, etc.
 - <http://www.adviserinfo.sec.gov/IAPD> or www.sec.gov



Choosing an Advisor (continued)

- 2. National Association of Securities Dealers (NASD) for registered representatives
 - Go to <http://www.nasd.com>
- 3. State Registrar with the North American Securities Administration Association (NASAA) for firms with less than \$25-30 million in assets
 - To find your state regulator, go to <http://www.nasaa.org/QuickLinks/ContactYourRegulator.cfm> and click on your state.



Questions

- Do you have any questions on choosing a broker or an investment advisor?



D. Understand the Uses and Types of Benchmarks

- What are benchmarks (or indices)?
 - Benchmarks (or indices) are measuring devices which give the performance of a specific set of securities for comparison purposes. Benchmarks may be built on published indexes or may be customized to suit a specific investment strategy
- Why are benchmarks important?
 - Benchmarks are the standard from which your portfolio should be judged.
 - You cannot know how you are performing without a benchmark



Uses of Benchmarks (continued)

- What are the uses of benchmarks?
 - 1. Track average returns for a specific asset class
 - 2. Used to compare performance of mutual fund managers in similar asset classes and to check broker's recommendations
 - 3. Used as a base to build index portfolios
- Key questions in choosing or using an Index:
 - Is it representative of the performance of assets desired?
 - How broad is the benchmark, i.e. number securities?
 - How is it constructed, i.e. price, total return index?
 - How is it weighted, i.e. market cap, equal weighted?
 - Does it include dividends? Are they gross (before tax) or net dividends (after-tax)?



Uses of Benchmarks (continued)

- How are benchmarks differentiated?
 - They are differentiated to follow the asset classes
 - Type:
 - Stocks:
 - Large capitalization (cap), small cap, mid cap, international, emerging markets, etc.
 - Bonds:
 - Long-term, short-term, corporate bonds, government bonds, convertible bonds, etc.
 - Other Asset Classes:
 - Real estate, REITs, currencies, commodities, derivatives, gold, hedge funds, etc.



Benchmark Construction

- How are stocks weighted in benchmarks?
 - Market-value weighted (S&P 500, NASDAQ)
 - Weight is based on market capitalization
 - Stocks are weighted according to their market capitalization. This assumes market capitalization (price * shares) is a good proxy for size
 - Price weighted (DJIA, Nikkei, Japan)
 - Weight is based on the price of the stock
 - Stocks with a higher price are weighted more in the index. This assumes a higher priced stock is more valuable than a lower priced stock



Benchmark Construction (continued)

- Equally weighted (Value Line)
 - All stocks are weighted the same
 - Stocks are equally weighted. This assumes all stocks are equal and hence gives a higher weighting to smaller stocks
- Float weighted (MSCI Emerging Markets Free)
 - Weight is based on market cap and available float outstanding, i.e. what investors can really purchase
 - Stocks are weighted according to available shares outstanding, giving greater preference to companies whose shares can be purchased (i.e., are not held by only a few individuals) and who do not have foreign ownership limits



Finding Data on Benchmarks/Indices

- Where do you find these benchmarks or indexes?
 - Internet: Any of the many financial sites available: CNN Money, YahooFinance, etc. Generally these free Benchmarks are without dividends (make sure you check)
 - Proprietary Data Providers: Bloomberg, Reuters, etc. They will also produce special indexes for a fee (i.e. MSCI EM Free ex-Malaysia)
 - Data Suppliers: Standard and Poor's, Morgan Stanley Capital International, NASDAQ, Bloomberg, etc.



Key Benchmarks

- **Examples of benchmarks:**

- Domestic equities:
 - Large cap stocks S&P 500 (SPX)
 - Small-cap stocks Russell 2000 (RTY)
 - Micro-cap stocks Wilshire Micro-cap
- International equities:
 - Global S&P Global 1200, MSCI World, DJ World
 - International MSCI EAFE (Europe, Australia and the Far East)
 - Emerging Markets S&P/IFCI and MSCI Emerging Markets Free
- Corporate Bonds
 - Short-term DJ Corporate Bond Index
 - Intermediate Barclays Intermediate
 - High Yield Salomon Smith Barney High Yield
 - Mortgage back Barclays MBS Index
 - Yankee Merrill Lynch Yankee Index
- Treasury Securities
 - Intermediate Barclays Intermediate Treasury
 - Long-term Barclays Long-term Treasury
- Real Estate
 - REIT Standard & Poor's REIT



Questions

- Do we understand the uses and types of Benchmarks to an investor?



Review of Objectives

- A. Do you understand the different types of securities markets?
- B. Do you understand the basics of brokers and investment advisors and how to buy and sell securities?
- C. Do you understand how to choose a broker or investment advisor?
- D. Do you understand the uses and importance of investment benchmarks?



Case Study #1

Data

- After studying the fundamental trends from CHKP Company's annual report and doing a whole lot of research, Steve decided to purchase one round lot of the firm's stock on the open market. On Monday morning he calls a stockbroker and asks for a price of CHKP stock. The broker indicates that CHKP is bid at \$45.12 with an ask of \$45.20.

Calculations

- a. Assuming Steve wanted to place a market order to purchase shares, how much would he most likely pay?
- b. What are the advantages and disadvantages of a limit order over a market order?



Case Study #1 Answer

- a. The ask price of \$45.20 is what you would most likely have to pay for each share of CHKP stock. So assuming you purchased a round lot (100 shares) you would pay: $\$45.20 \times 100 = \$4,520$ Assuming no commission.
- The advantage of a limit order is that it will not be executed except at that price or better. The disadvantage is that it may not be executed if the market rises



Case Study #2

Data

- Steve's purchase of 100 shares in CHKP has been a good investment. Yesterday the stock closed at \$53.75 per share. In order to lock in his gains, he decides to employ a stop-loss order.

Application

- a. Assuming he sets the order at \$53.00, what is likely to happen?
- b. At what price would you recommend setting the stop-loss order? Why?



Assuming your order is set at \$53, what is likely to happen? At what prices would you recommend setting your stop-loss order? Why?

- a. Because the stop-loss order price of \$53.00 is set so close to the recent close of \$53.75, it is likely the position will be sold as the stock fluctuates around its closing price.
- b. Steve should set his stop-loss order to safeguard against *a major*, not minor, fluctuation. Minor fluctuations lead to significant turnover (and taxes) for a portfolio. A stop-loss price of \$40 or \$45 would likely be more appropriate, based on Steve's view and objectives.



Case Study #3

Data

- Suzy is trying to decide whether to use a financial advisor, RIA or not. What questions should she ask to help make the decision easier?



Choosing an Advisor (continued)

- Following are a few key questions to ask when considering a broker, registered investment advisor, or financial planner
- *1. Are you a full time broker/registered investment advisor (RIA)/financial planner (FP)?*
 - Work with brokers/RIAs/FPs who work full-time at their business. This gives greater assurance that they are knowledgeable in the products you need



Choosing an Advisor (continued)

- 2. *What is your education and what licenses do you have?*
 - Many financial advisors have had little or no financial training. I recommend that you stick with those that have spent the time and have qualified for specific designations, such as certified financial planners (CFP), chartered financial analysts (CFA), and certified public accountants- personal financial specialists (CPA)
 - Make sure your choice is licensed. If you require stock and bond assistance, they should have their CFA or Series 7. If they are RIAs, they need their Series 65 and 66. If they are financial planners, I recommend they be CFPs



Choosing an Advisor (continued)

- 3. *How long have you been a full-time broker/RIA/Financial Planner?*
 - Work with someone who is experienced and established. While a new broker may be competent, an experienced broker will likely be competent and have experience.
- 4. *Are you working as a fiduciary or an advisor?*
 - Fiduciaries are required to recommend products that are in the best interests of their clients. Some fee-based advisors at brokerage firms are held to a lower standard that only requires that they recommend products that are a reasonable choice. Work with advisors that will commit to acting as a fiduciary on your behalf, and in your best interests.



Choosing an Advisor (continued)

- *5. Do you only offer investment advice, or full financial planning services?*
 - Many advisors only offer investment advice. But from this course, you realize that there is much more to comprehensive financial planning than picking financial assets. I recommend that you work with someone who will help you in those other areas as well, including goals, budgets, mortgages, insurance, taxes, retirement planning, etc.



Choosing an Advisor (continued)

- 6. *What companies do you represent?*
 - There is a tradeoff here between captive and independent brokers/RIAs/FPs. If they work with multiple companies, they may be able to offer more competitive products. If they only work for one company, they may be limited (or biased) in what they recommend



Choosing an Advisor (continued)

- 7. *How are you compensated?*
 - Many advisors earn money by collecting commissions on the investments they sell. While they are compensated for the time they spend, there is no additional incentive for them to watch your investments after you have purchased them as they make no additional fees. In addition, there is the potential for conflict of interest as well as for excessive trading. Make sure that the broker/RIA/FP is working on your behalf. By knowing the commissions on various policies, you may be able to avoid investments that are more of a benefit to the broker than to you.



Choosing an Advisor (continued)

- 8. *Tell me about your proposed assistance:*
 - a. Trading commissions: How much will it cost to buy stocks or other securities? Are there different prices for market and limit orders? What are those prices? Does your firm offer both safekeeping and recordkeeping services?
 - b. Other fees: What are your annual maintenance or custody fees? Are there inactivity fees if you're not a frequent trader?
 - c. Minimum initial deposit: What is your minimum initial deposit? What is the monthly fee for going below this minimum?



Choosing an Advisor (continued)

- d. Customer service: How good is your customer service? Any references? Do you have an 800 number for transactions and quotes?
- e. Traditional banking services: Do you offer traditional banking services? Can I write checks on my account?
- f. Research: Do you provide objective, independent security analysis? Do I have to pay for reports?
- g. Mutual funds: Do you have access to high-quality, low-cost fund families outside the funds sold by the broker, i.e. Vanguard/Fidelity? If not, what is the cost for me to invest with these fund families?



Choosing an Advisor (continued)

- h. Investment product selection: Do you have certificates of deposit, bonds, options, etc. (list the items you may want to invest in)?
- i. Insurance: Is my account insured by the Securities Investor Protection Corporation (SIPC) to \$500,000?
- j. Other methods of trading: How do you make trades if your computer is down or you're away from home? Can you trade via phone?
- k. Other perks: Do you have any special deals that would make it more attractive for me to work with you? Do I receive interest on idle cash in your account?



Choosing an Advisor (continued)

- 9. *Do you have any clients who are willing to recommend you?*
 - Your broker should either supply you with names of satisfied clients or share testimonial letters from others. You should not consider a broker/RIA/FP without recommendations.



Trusted Advisor versus Salesman

- Work with a trusted advisor, rather than a salesman
 - Has a process for creating a comprehensive financial plan
 - Is interested in what's important to you and your significant issues
 - Requires you to bring all financial data to the first meeting, but does not require disclosure of information you are not comfortable with sharing
- Has a technique for making the sale or placing the trade
- Is interested in small talk and making you feel comfortable, then getting the trade
- Does not require you to do anything but show up. Asks probing, personal questions designed to make you uncomfortable.



Trusted Advisor versus Salesman

- Expresses interest and refers frequently to the work done so far in an effort to understand you
- Meets in a professional environment with all financial decision makers
- Inspires you in a positive way
- Refers to your impending demise, the need to protect your family, etc., in an attempt to scare you into buying a product
- Will meet with anyone, anytime, anywhere for “convenience”
- Tends to prey on your fears and insecurities



Trusted Advisor versus Salesman

- Won't be talked into selling you a product that is not appropriate for you even if you insist
- Will put you into products most suitable for your situation, regardless of whether they are compensated or not
- Works with you even when you are not doing much trading
- Will sell you anything you want to buy, or will redirect you to a preferred product
- Will put you into the products that generate the highest commission for them
- Only works with you if you are generating commissions

Main ideas are from Jason Payne, Payne Financial Management and Bill Bachrach, Values Based Financial Planning, Aim High Publishing, San Diego, CA, 2000.