

## Voices Lost in the investing fun house

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More in **Fiduciary standard, Portfolio construction, Independent advisors, Independent BDs, Agents, Client strategies, Robo advisors, Fee-based compensation, FINRA**

Welcome one and all to the investing carnival of fun! Today, our exciting attractions include, over here, a robot that sits behind a computer and chooses your portfolio for you. Actually, *you* choose the portfolio, based on answering four or five questions, which is how the robot gets to know you on a very deep level.

If you have questions, they have a real person you can talk to — after spending an hour or two waiting on the phone for. A living, breathing human being right out of college with almost as much real-world experience as that squirrel you can see in your own back yard.



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***Step right up and win a prize! Just don't read the fine print.***

Should you do a partial Roth IRA conversion based on a tax situation that would take us way too long to explore over the phone? Who knows? But we'll give you an answer anyway.

Perhaps you'd prefer to visit our next attraction: a fee-based advisor, who might or might not be the top salesperson at his broker-dealer! Of course, he might be mostly fees and mostly a fiduciary who mostly works in your best interests, but he's affiliated with a company that earns a hefty majority of its revenues from various commissions, so, well, trust your luck!

Spin the dial, and check out this hot equity-indexed annuity that the company's due diligence department has approved despite sternly worded FINRA investor alerts about them. They sure are complicated, but when nobody knows how to calculate the gain based on the return of the index that the annuity is linked to, it makes it easier to sell. And what else could possibly be more important about an investment opportunity?

Better yet, your fee-based advisor has a really swell nontraded REIT whose prospectus clearly states that the tempting annual yield in the first year is coming directly out of your investment dollars — and who knows where that yield will come from in the future? Don't worry, the eagle-eyed due diligence department approves a lot of those deals, because the top sales reps demand it. Any resemblance to a Ponzi scheme is purely coincidental! Are we having fun yet?

Perhaps you would prefer to entrust your life savings to that indistinct form in a trench coat who is gesturing at you from inside the dark alley. He's a real live broker! Just returned from a wonderful sales incentive trip to Tahiti! See his tan? The sales incentives did not in any way impact his investment recommendations, so you needn't ask why they all happened to be either managed by his company with higher-than-average annual fees, or separate accounts that have revenue-sharing arrangements with the brokerage firm which are definitely not shelf space arrangements (are you listening, SEC?).

It's like choosing any card you want from a deck of cards, except his deck is made up of only jacks and nines!

***Just sign on with a discount broker, pull the handle on the slot machine and out comes money, all because you're so much smarter than the market!***

Put your money down, and help him move up the grid!

Over to one of our main attractions, look at those zany clowns all climbing out of that impossibly small car and running around the ring squirting the crowd with seltzer bottles. Aren't they hilarious? No need to worry about a fiduciary standard here: These are insurance agents, who specialize in helping you reach your financial goals by selling you investments that never go down!

That means these wonderful life insurance contracts are technically not investments at all, which is a wonderful thing, because these agents also happen to not be licensed to sell you an actual investment product.

But their products do have an account value that grows mysteriously over time, and you can borrow your own money back from your own account for income! Think about it, your own

money becomes tax-free income! Is that not an exciting investment concept? It's a mystery why nobody ever buys these products voluntarily, without one of the clowns explaining their many advantages. Or, for that matter, why people don't just eliminate the middleperson and earn income out of their own checking account.

Even more exciting, the company takes out a growing amount of money for insurance protection, so when you die, your heirs will be taken care of. Of course, you can get this same protection from a term policy, and know exactly how much you're paying, but this is part of the excitement of these cash value life contracts: you have no idea how much you're paying for coverage! And the company can raise this amount at any time! Check the fine print. Uh-oh, they've caught you using that magnifying glass! Watch out for the seltzer bottles!

And don't even think about looking for the commissions they're earning when you invest with them. You certainly won't find it anywhere in the contract without the help of a good attorney!

Over there, want to buy an island with all the bags of money you'll make when you day-trade your account? Just sign on with a discount broker, pull the handle on the slot machine and out comes money, all because you're so much smarter than the market! You buy low, watch your stocks go up, sell higher, lock in the profits, lather, rinse, repeat until you're buying your first yacht! Don't believe it? Look at their advertisements. They're everywhere!

If you're impatient and don't want to wait a whole week before you buy your yacht, then just open a margin account and make your bets with borrowed money. Remember, the trend is your friend!

A better friend is that investment guru on TV, who knows what the market is going to do. Don't believe him? He'll tell you what a great track record he has. He called the last downturn, and the one before that. He calls downturns all the time. You can't lose if you follow his advice, which is free if you watch the financial channels, but you probably want the expensive inside scoop, which might get you that yacht in hours instead of whole days.

***Who are those people sitting behind desks in the corner? Don't mind them. If you must know, they're called fiduciary planners, who charge fees instead of commissions for their advice. Boooorrrring!***

Who are those people sitting behind desks in the corner? Don't mind them. If you must know, they're called fiduciary planners, who charge fees instead of commissions for their advice. Boooooorrring! They only make up a small percentage of all the people who give financial advice, and we don't let them participate in the funhouse because they don't have millions of dollars to throw around at the TV airwaves, print media and social media. They don't buy Super Bowl advertisements.

And don't get us started about how boring they are when somebody makes the mistake of putting them on TV. (Mimicking voice) "We don't know what the markets will do in the future. We don't tout investment products until we understand the financial goals and objectives of our clients." I'm yawning already!

The average person's chances of finding drab birds like these, given all the exciting plumage on the other attractions in our funhouse, is just about zero. So why bother with them? Who wants to pay fees out of your own pocket when you can get investment advice for free, and have the product folks pick up the tab on your behalf?

Do I have to pull you away from those losers? Come on over here; the tour continues in the exciting roller coaster fun house of hedge funds. Come on! You won't believe the kind of money these guys earn. For themselves, of course!

**Bob Veres**