



Behind the Curtain:

Six Truths Your Broker Does Not Want You To Know

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Your Broker Cares Less than You Could Imagine. Even if he says he loves you and buys you dinner.

A trip to the broker's office seems painless and profitable. Sure it is. Profitable for a broker. Maybe it's profitable for you, too. I have to admit that in our office, we'd talk about making sure the client made money also.

Key word in that sentence: also.

I'd see people walking down the hallway clutching financial statements, budgets, tax returns, and most of all hope. We were definitely selling hope. You were hoping that we'd be the solution to your problem and we were hoping that you'd hand over a chunk of your cash.

By the time I left the business, after 16 years, I'd gotten good at gaining and keeping assets under management. Frankly, I wasn't a bad advisor and my clients did very well. I liked many of them as people. However, that wasn't my primary focus. I had a family to feed. I had a car payment to make.

It was even worse in the break room or at lunch. Brokers would talk about how stupid some of their clients were. They'd discuss their expensive trips and how much they were going to make in a meeting. They'd moan about meetings where no money changed hands as a waste of time. "Mentors" in the business would focus on moving money every meeting from my client's hands to mine. When I'd question the greed, the answer was always, "your

client is saving more money, so it's good for them, too."

Key word in that sentence: too.

There are a thousand things your broker doesn't want you to know. In some ways, it's like every other business. If you walk into the back room of a restaurant, you may not want to eat the food anymore. I can deal with many of the ills of the brokerage industry. Taking my car in for service is the same as visiting a broker or your dentist. Everyone has to make money to survive.

These 6 things go well beyond everyday dirtiness. They're the look behind the mask. Your broker definitely doesn't want you to see these points.

What's worse is, people would bring these up with me in meetings. I had some great replies to each of them. I realized early in my career that the best way to make a ton of money was to mask my true intentions. If I could help people in a variety of ways, they wouldn't pay attention to what I was really doing. How I was really hoping to sell a fat life policy or consolidate all of their IRA plans into a lucrative investment option.

And my explanations for clients? Excellent. I could explain exactly how everything fit perfectly into a pretty pattern that was better than anything they could do themselves. They'd bring in Suze Orman or Dave Ramsey advice that contradicted mine. I'd calmly explain it away. Well enough that you wouldn't believe the money I made.

Here are the six things your broker doesn't want you to know.

1) **You are a number.**

That number is “moveable assets.” If you’re 40 years old and all of your money is in a 401k plan, see ya! I wanted nothing to do with you. Why? There isn’t anything for me to manage until you retire. Even if I help you start up some plans outside of the 401k, it won’t amount to much. But your mother dies? If it’s over \$100,000, you’ll have a broker’s attention long enough to get it under their management. Then, no matter whether \$100k seems like a ton of money to you or not, you’re chump change.

Cha-ching!

To understand why you’re a number, you’ll have to know how brokers are paid. Simply put, it’s on a percentage of your stuff or on insurance sales. Annuities, because they feature assets and insurance, pay better than nearly anything. Products with big surrender charges if you take funds early allow the firm to manage it longer, so the broker is paid more.

Generally speaking, anything with back-end fees is worse for you and awesome for the selling broker. Because of this, your broker’s goals and yours are at odds.

If you have lots of stuff to manage, you’ll receive more support. When you have less stuff, you’ll receive less attention unless you beg for it. If you get lucky and hit a couple winners, your broker will take credit

for being a genius. When your asset based crumbles, it’s the market, not his advice. In a bad market everything declines. It was an easy discussion to have because during the period between 2000 – 2011 clients were conditioned to know that

“it wasn’t my fault.”

Are you 25 years old and looking for a good advisor? My advice? Go young. Look for a smart, young person and grow with them. They’ll have time to help you with your accounts and you’ll be able to grow with them. Some of my best clients later were small potatoes when I’d begun. They grew as I did.

The truth is, I didn’t take on many of these same types of clients later because I didn’t have enough time.

2) **Your broker knows very little about your goals and stuff.**

I’ve been teaching my son the power of listening. I told him that I’d practiced listening and being an active listener while in meetings with clients. Then I realized something.

I was an awesome pretend listener.

Sure, I’d hear what the client wanted, but I only had an hour to make my case. I needed a check by the end of the meeting and that would take about ten minutes to complete, so that left 50 minutes. At the beginning of the meeting, we’d

have ten minutes of catch up and small talk. That meant that I have 40 minutes to convince them that changing directions was in their own best interest. I had to do it while staying calm and acting as if we had all the time in the world. Clients could smell if you really wanted something, so I had to play as if it didn't matter to me.

All in 40 minutes.

So I'd listen to goals. I'd pay attention to their wishes. Then I'd tell them that this plan (the same one I'd come up with before they'd even arrived and told me their dreams) fit perfectly into the plan.

Round peg/square hole? More like squeezing a skyscraper into ketchup jar.

One advisor recently told me that he "wanted to be an educator" to people about money. That sounded good. Then he said, "I don't want clients who are questioning every move I make." Why exactly are you educating people? What are you educating them to do besides ignore you?

3) Brokers don't get paid to watch your money.

This is a key point, because most clients would be disappointed when their broker wouldn't make a move during market fluctuation. They'd ask, "Weren't you watching it?" When the client was fed up and

decided to move elsewhere, the easiest thing for the new guy to say is, "I'll watch it much better than them." Sure. And pigs will fly.

Brokers are paid to bring in more money and stay in meetings with people who are moving assets around. When I was in the business, my management team had three criteria for meetings:

- a. Meet with people who could bring in money.
- b. Meet with people who would move funds to accounts that are more lucrative. (I'm not talking about lucrative for the client...lucrative for our business.)
- c. Meet with people who were considering moving money away from me to convince them to stay.

4) Your documents aren't safe.

I would leave my office at night after the cleaning people had left and personal financial information would be out on nearly every advisor's desk. Sure, regulatory auditors threatened to come in and search our offices, but in 16 years I never saw regulators in my office and I didn't expect them anytime soon.

If you're sure you need a financial advisor, black out your last name, address, account numbers, Social Security number, and any other identifiers on statements. Really.

No matter how careful the broker says, they'll be with your information.

5) **Your budget is irrelevant.**

I would estimate that over 90 percent of brokers don't really care about your budget. The reason is simple: it doesn't make them money to figure out how you can find an extra \$100 in your monthly plan. I'd have clients ask me to help with their budget and I'd only spend quality time on it if there was a happy ending at the conclusion of the meeting. Maybe there was a rich relative that was going to pass away soon, a house with tons of equity that we might be able to invest, or a big 401k at a job you really weren't sure about. If you really needed help with your budget, there was a junior associate that I would introduce you to. They might help you with your budget if you had enough money to pay for their time on an hourly basis.

6) **Tax strategy? It's about opening an IRA.**

The average broker talks about tax strategies and savings, yet if you try to get specific, most don't know more than you about taxes. They have been trained to know that this particular combination of buzzwords brings in money. "Tax planning" is all about opening an IRA. Why? That should be obvious by now:

An IRA includes another asset for the advisor to manage. Remember,

it's all about gathering assets and holding onto them as long as the client will allow.

When an advisor mentions tax strategies, ask more specific questions to see exactly what he means.

Are these generalities? Sure. Did I know very good advisors in the business? Absolutely. However, the number of good advisors was eclipsed by the number of highly-trained asset seekers.

Use these tips to ask better questions when meeting with an advisor, or to help shade your decision to manage your own money.

Is managing your money difficult? No. David Chilton, author of *The Wealthy Barber* says that a good plan can be written on the back of a napkin. Armed with some good tips and the ability to learn, anyone can manage retirement funds. Often, the average person can even beat the pros.

Even if you don't beat the pros, it's still a win. Who is more concerned with your money than you? Who wants success more than you? Are you tired of looking at your money growing as some kind of magic? By educating yourself on a few basics, you'll be up and running.

And, you'll pay much, much less money.