

***“Within the ranks of every wirehouse is the broker who gets it, the one who realizes that selling products isn’t financial planning.” -David J. Drucker***

As my first anniversary of joining Disciplined Equity Management approaches, Don and I thought it would be interesting to share some of my thoughts on the transition I have made from a Wall Street stockbroker to an independent investment advisor.

As most of you know, from 1998 through 2003, I worked as a stockbroker on the high net worth teams of two of the world’s largest brokerage firms. I had hoped these firms would provide me with a solid educational foundation for a career in the financial services industry. On the surface, education and training was part of my job description. After all, they encouraged me to collect every securities license known to man. (My old business card had more letters and numbers after my name than the DaVinci Code). However, to my surprise, the most intense and in-depth training I received from the brokerage firms was in how to be a salesman. **Yes**, a salesman--**not** a financial advisor. After four years, it became quite clear to me that in order to become the investment advisor that I always wanted to be, I had to get out of the business of selling financial products.

This may come as surprise to many people, but the client is not the most important piece of the puzzle within the working structure of a brokerage firm. From day one, I struggled with this because many of my clients are family and close friends. When the firm is at the top of the food chain, the entire system is inherently flawed. Like any business, brokerage firms manufacture or accumulate an inventory of financial products (stocks, bonds, mutual funds, annuities, etc.) Stockbrokers (the firm’s sales force) are then paid commissions to sell this inventory to their clients. Because of this, stockbrokers always have incentive to sell those products that generate the highest commissions. It did not take me long to realize that my own professional success as a stockbroker would always come at the expense of my clients. This fundamental and even-present conflict of interest is what drives well-meaning advisors like myself to independent investment advisory firms such as DEM.

Gone are the days of gathering in the coffee room to get a look at the daily “production run”. I used to laugh at how the top producers for the week would high five each other, knowing they would be rewarded with a vacation for two, tickets to a concert, or a luggage set from our managers. Our working environment at DEM is geared exclusively towards solving our clients’ financial problems. I now spend my days learning by performing quantitative research, data analysis, and, most importantly, financial planning. That may not sound like a lot of fun to most people, but remember I became an investment advisor in order to better navigate the financial journey of my clients--not to win trips to Las Vegas by selling them the most “stock of the day.”

Life as investment advisor is extremely rewarding when it is stripped down to its primary elements, investments and advice. We judge our success at DEM solely on how well we help our clients achieve their life goals. I find it truer with each passing day that an investment advisor must be able to look himself in the mirror and know that his clients are better off for having worked with him. I can now appreciate how fortunate we all are to be associated with a firm with a disciplined investment approach based on sound principles. I am very proud to be part of a very small number of firms that do things the right way for the right reasons.