

August 29, 2010

Dear Sirs or Madam:

I am a retired Certified Financial Advisor and Registered Investment Advisor and I do think Broker Dealers trade in their own best interest rather than the customers. For example, I buy individual bonds on the Bond Desk for our personal account. I clearly see the price dealers pay for a bond. The bid and ask spread can be as much as 4 or 5 points. That is \$40 to \$50 per bond. Buy 25 bonds and the dealer could make \$1,250. To fix the problem, lets customers buy directly from other customers. I saw one dealer mark up a municipal bond 20 points or \$200 per \$1,000 bond. Annuity Contingent Deferred Sales Charges could be eliminated if insurance companies would pay agents renewal fees each year rather than 5% all up front in the first year. Fix it!

Compensation is the primary reason customers invest in the wrong products.

The primary problem in the financial services industry is compensation. Right now the industry works on commissions rather than fees. Only **fees** bring the customers goals and objectives hand-in-hand with the financial advisors. All too often, things are sold for the commission as opposed to customer needs. Also, Financial Advisors will invest customers money at market tops so they can earn a commission as opposed to waiting to invest at market bottoms, which serves investors needs.

Education

Financial Advisors need more education on how to manage money. Right now they know nothing. They do not know the difference between Strategic Asset Allocation and Tactical Asset Allocation. Also, they don't have a good understanding on how the stock market works. The difference between Trending and Ranging markets is not taught. Registered Representatives and Broker Dealers want their clients to hold their investments so they can earn 12B1 and other service compensation. Again compensation gets in the way of doing the right thing for their customer and clients. We need to change the curriculum for Broker Dealers and Registered Representatives. Understanding how products work is not enough.

All that Financial Advisors don't know is in my book *Manage Your Own Money*.

**Dan Clemons
Certified Financial Planner and Registered Investment
Advisor Retired**