

Brokerizing Financial Advice

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Under normal circumstances, we try not to burden our clients with the details of the regulatory issues we deal with, except periodically send you notification of our status and any changes in the way we do business. Our focus is on your financial well-being.

But recently, something has come up in the regulatory world that could directly impact your financial well-being--and not in a good way.

House Finance Committee Chairman Spencer Bachus, who has been under ethics investigation for insider trading, and Rep. Carolyn McCarthy have sponsored a piece of legislation called The Investment Oversight Act of 2012. It is being described as a better way to protect consumers. In fact, it is designed to put all registered investment advisors--that is, all advisors who are required to put the interests of their clients first when they give financial advice--under the regulatory authority of the regulator who controls wirehouse brokers.

This, of course, is the same regulatory organization--the Financial Industry Regulatory Authority (FINRA)--that failed to prevent Wall Street from selling toxic mortgage pools and derivatives into the financial system, leading up to the near-collapse of the economy in 2008. Bernie

Madoff was regulated by FINRA from the day he opened his Ponzi scheme for business. Mr. Madoff actually served on the board of governors of this organization back when it was called the National Association of Securities Dealers.

The innocent-looking piece of legislation would actually give us a world where companies like ours would have a hard time existing. It would be a world where all financial advice would be given by brokers, or people forced to act like brokers.

It's not like we in the independent investment advisory world are not well regulated currently. The SEC (The U.S. Securities and Exchange Commission) regulates Registered Investment Advisors (RIA's) like Client 1st. Our firm has gone through periodic on-site examinations by the SEC and they have been extremely thorough and comprehensive.

Under normal circumstances, we might have confidence that our Congressional representatives will see through this ruse and do the right thing for their constituents. Unfortunately, a lot of lobbying money is being spent to brokerize the financial world. Among the top ten contributors to the lead sponsor of the bill--Rep. Bachus--are commercial banks (a total of \$213,650 in 2011-12), insurance companies (\$191,010), securities and investment firms (\$184,277), finance/credit companies (\$90,438) and "miscellaneous finance" companies (\$89,250).

In the 2011-2012 election cycle, Rep. Bachus was the *number one* fundraiser from commercial banks, from finance/credit companies and from mortgage bankers and brokers. It is very very clear that his best efforts are not directed at protecting consumers from the people who are paying for his re-election.

Please view this article as a heads-up that the entire structure of our financial system may be about to change--we believe for the worse. If you are anywhere near as concerned (and angry) as we are about this naked effort to brokerize our financial system, then you might want to contact your elected officials, as we have. Our message is very simple, and I have included it here to make it easier for you to cut and paste and add your own thoughts:

I want to express my strong opposition to the recently proposed Bachus-McCarthy bill, also known as the Investment Oversight Act of 2012.

This piece of legislation has the potential to do significant harm to your small business constituents by subjecting them to yet another layer of bureaucratic regulation. Worse, it would hand off regulation to an entity--FINRA--that has proven to be extremely ineffective at protecting consumers. FINRA is the organization that regulates Wall Street, which failed to prevent the 2008 scandals, including the sale of toxic investment products.

Bernie Madoff was under FINRA regulatory jurisdiction for his entire career.

Please, if and when you have an opportunity to vote on this measure, vigorously oppose this effort to build yet another bloated regulatory bureaucracy in Washington. There are far better alternatives to enhancing consumer protection than allowing Wall Street's regulator to expand its authority over the many small businesses that provide fair and transparent advice to consumers.

You are important to us, as is your financial well-being. Whenever we see it threatened, we feel the need to take action, and please know that we are monitoring this situation with the full attention that it deserves.