***VOLATILITY:***
***And it's Not Just In The Market!***

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Investors often routinely place their trust in their investment advisor, or broker, especially when markets are climbing high. When market volatility surfaces which results in losses across the board, many investors are unaware of the impact their financial advisor might have played in contributing to their accounts nose-diving in tandem with the market drop.

It is not uncommon for Broker Dealers ("BD's") to hire incompetent or unethical Financial Advisors that often introduce investments with little chance of making money for investors.

Many times the investment products are packed with fees and commissions that enrich the advisors, and diminish the value of the investors' accounts.

Compounding this misguided investment approach, market volatility associated with these practices may permanently impair an account from recovery, even as the market begins to recover.

Hidden within an account's activity may be excessive trading, margin calls, mark up fees or adverse stock selection that result in huge losses that can devastate an investor's financial future.

Most often, these suspect brokers do not exhibit the talent, knowledge or skill to manage a portfolio within a stated objective towards a well-balanced financial goal. As such, the superficial backgrounds of these brokers are often limited to passing a securities, or insurance exam, and they lack the understanding, and education, required to exercise the due diligence required of a registered representative in assessing investment profiles.

Lack of supervision, and loose adherence to compliance rules, contribute to various forms of broker misconduct and investments abuse. Brokers often escape scrutiny when they deliberately, and with precision, trade client accounts for their own monetary gain placing their interests ahead of respective clients.

*Some types of questionable conduct may include:*

**Annuity Changes or “Switching” –** Selling an existing variable or fixed annuity in order to sell a “new” one that the agent claims has better benefits. Investors are lured by bonus fixed annuities or equity-index annuities that claim to have no risk to principal with little attention being paid as to the cost of providing the alleged protection.

**Suitability Not Matching a Client’s Profile –** This is most often the case involving a broker “designing” the account opening documents so as to stray from the full financial profile of the client. Quite often the client’s risk appetite is so exaggerated that investors are portrayed as speculative investors, when that is not the case. By doing so brokers, using the suitability standard, claim to justify investments such as: hedge funds, variable annuities, CMO’s, penny stocks, etc.

**Margin Accounts –** There are multiple costs associated with active stock trading and the use of margin (borrowing using the account assets as collateral) to leverage the account. Actively traded margin accounts accumulate commission and interest charges. While this sophisticated tool enhances profits when the market moves in the client’s favor it also magnifies losses when the market goes against the client.

**Too Much of One Stock or Sector (“Overconcentration”) –** Brokers are often led by their own greed and that of their firms to load up client accounts with concentrated positions. Having too much of a good thing can lead to tremendous losses when it goes bad. Keep away from a broker that claims to have only winners that will go only go up.

**Marking Up the Price of Securities (“Mark Ups”) -** Mark up is a dollar amount attributable to each share and is profitable to the firm as the amount is not likely shared with the broker. The broker is unsuspecting in the sense that if he (she) is earning less (through the mark up trades) the logical thing to do is to ramp up those trades that earn the advisor commissions. This practice leads to excessive trading (or churning) and would serve to drive up commissions and mark up costs against account values.

Investors must clearly take an active role in checking transactions and trades that appear on their statements. Pay particular attention to trades that you do not recognize, nor did you authorize.

The saying: “***If it’s too good to be true, then it isn’t***” is a maxim to pay particular attention to in evaluating the broker’s or adviser’s recommendations.

If you've suffered losses resulting from investments made within your brokerage account, it may be worth a review to determine whether your broker may be liable for the losses.