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GREEN THUMB

By RON LIEBER



How to Grill Your Investment Pro

Are You in the Right Type of Account?

Key Questions to Ask

December 16, 2006; Page B1

You used to have to watch your wallet if your stockbroker charged commissions. Now, fraud accusations are flying over accounts that merely levy annual fees.

On Tuesday, Eliot Spitzer and the New York state attorney general's office sued **UBS AG** for supposed shenanigans in accounts where investors pay a percentage of their assets each year or a flat annual fee. Many clients, it turns out, may have been better off paying commissions, after all.

UBS, which denies the charges, isn't the only financial firm to come under the microscope over this issue. **Morgan Stanley**, **A.G. Edwards** and **Raymond James Financial** have paid fines (without admitting or denying guilt) to various parties, and others are likely to suffer similar fates.



What to Ask


Companies like UBS have gotten into hot water over which customers should pay what sorts of fees. Here are some resources for consumers seeking guidance:

- napfa.org click on "Consumer Services"
- nasd.com click on "Investor Information"
- sec.gov click on "Investor Information"

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\$5,000. So some brokerage firms have apparently encouraged these clients to trade more, lest they end up on regulators' radar screens for not having these clients in less-expensive, commission-based accounts.

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In other words, clients who moved to fee-based accounts in part because they didn't want to worry about their broker overtrading now have brokers who are encouraging them to overtrade, anyhow.

If you wish to avoid getting caught up in this sad state of affairs, start by considering how much money you have, what advice you seek and how much you think you'll want to trade. Then, there's a list of questions you need to ask any professional, from old-fashioned brokers to all types of financial planners.

Most conflicts of interest involve how pros get paid, so start there. "Ask them to show you in dollar terms what they're making on your account," says Greg Phelps of Red Rock Private Wealth Consulting in Henderson, Nev. "It's a real simple thing that clients just don't do." Some follow-up queries: Do you get paid to sell certain products or services instead of others? Does your firm?

As for the flat or annual fees or commissions that you'll pay personally, ask why the proposed structure is the most economical arrangement for you. Then, ask for a better deal (it can't hurt). Let it be known if you want to meet a certain number of times a year. Put everything in writing, and make sure you understand exactly what services and advice are included.

Finally, ask the pros if they have any disciplinary record. Given recent headlines, it's probably wise to ask for a frank assessment of their company's problems, too.

• **Defend your record** to ron.lieber@wsj.com¹

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