

# The New York Times

WEALTH MATTERS

April 23, 2011

By PAUL SULLIVAN

## Taking the Time to Pick The Right Financial Adviser



Firms don't do a very good job of matching adviser capability with client complexity," says Douglas Black, president of SpringReef Partners, which helps wealthy people find the right financial advisers.

FAIR GAME

April 24, 2011

By GRETCHEN MORGENSON

## A Crack in Wall Street's Defenses



Arbitrators awarded Gerald D. Hosier and a trust he established \$48 million in a case against Citigroup.

Calling the strategy conservative and ideal for investors' safe money, Smith Barney sold the trusts to wealthy investors.

But Smith Barney and its brokers were the prime beneficiaries of the strategy, which generated fees not only on the money that had been borrowed to juice the returns but also through the life of the investment.

Smith Barney's sales representatives kept 40 percent of the total fees paid by their investors, far exceeding what they would have earned selling ordinary municipal bonds. This arrangement encouraged Smith Barney to lever up the portfolios, Mr. Hosier's lawyers argued, putting the interests of their clients and those of Smith Barney at odds.

April 24, 2011 READERS' COMMENTS

The Solution is Staring Us in the Face

Once again the clear conflicts of interests between Financial Advisers and clients was evident in Gretchen Morgenson's April 24, 2011 New York Times article entitled "A Crack in Wall Street's Defenses". The article details how Smith Barney, a unit of the publicly owned company Citigroup, and its brokers were the prime beneficiaries of an investment strategy - to the detriment of clients.

When investors engage a Registered Investment Advisory (RIA) firm the RIA and its Financial Advisers, legally named Investment Adviser Representatives (IARs), are obligated by law to place clients' interests before any other party. But, the largest RIA and wealth management firms are publicly owned. Unfortunately, many investors neglect

to contemplate the conflicts of interest inherent with all publicly owned RIAs. All publicly owned RIAs and their IARs are obligated by law to place shareholders' interest before any other party – including clients. Thus, the conflict. The Solution is Staring Us in the Face. When Selecting a Financial Adviser verify the firm is an RIA and your Financial Adviser is an IAR. **Very importantly, verify the firm is not a publicly owned RIA.**

Although this cannot assure a successful relationship, it can assure avoiding clear conflicts of interests inherent with all publicly owned RIAs.

Aaron Skloff, AIF, CFA, MBA  
CEO – Skloff Financial Group

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA), is the Chief Executive Officer of Skloff Financial Group, a NJ based Registered Investment Advisory firm. The firm specializes in financial planning and investment management services for high net worth individuals and benefits for small to middle sized companies. He can be contacted at [www.skloff.com](http://www.skloff.com) or 908-464-3060.