

RIGHTS OF A CLIENT

JULY 2005

Usually nothing surprises me when it comes to investment fraud, however, I actually had to do a double-take while reading a piece in this past month's *Investment News*. The magazine reported that Waddell & Reed Financial is now looking to its 2,600 advisers to sell more **proprietary** (in house) mutual funds. This is according to their new CEO Henry J. Hermann.

Mr. Hermann stated that sales through their distribution channel were lagging and he was hoping to reenergize them. Waddell & Reed recently began paying its advisers a straight fee for each account they open, in addition to their usual compensation. What is astounding is that the firm is now actually admitting that they are going to give incentives and bonuses for selling proprietary mutual funds. We have reported about this conflict and warned investors of this practice for years, both here in the *Markowski Monthly* and on the radio show. The terrible practice of selling your own junk funds, over what is in the best interest of your client has become institutionalized industry wide; every firm does it despite the pontificating of the regulators. At least you can give him credit for being honest.

Financial planners are supposed to bring their clients the best choices for their own unique situation. Instead they are selling whatever they have in inventory. When one goes to Burger King one would expect to find Burger King Hamburgers, this business model is fine for fast food and many other retail businesses. However, it is abhorrent when it comes to professional financial services.

We are going to offer Mr. Hermann and the rest of the Wall Street Executives some important unsolicited advice. We know this may be detrimental to your firm's bottom line, but doing the right thing, not always the most profitable thing is a tenant of a true professional. Every single one of you needs to comprehend that you have a fiduciary responsibility to care for clients, not to treat them as a customer in a big box store and sell them as much stuff as possible. It has become next to impossible to distinguish good financial planners from bad. The entire industry lacks professionalism; in fact I would be hard pressed to call it a profession. The six characteristics of a profession are as follows:

Renders a specialized service based upon advanced specialized knowledge and skill. A profession involves a confidential relationship between a practitioner and a client or an employer. A professional is charged with a substantial degree of public obligation by virtue of its profession of specialized knowledge. Enjoys a common heritage of knowledge, skill, and status to the cumulative store of which professional men are bound to contribute through their individual and collective efforts. A professional performs its services to a substantial degree in the general public interest, receiving its compensation through limited fees rather than through direct profit from the improvement in goods, services, or knowledge, which it accomplishes. A professional is bound by a distinctive ethical code in its relationships with clients, colleagues, and the public.

Unfortunately, as our readers and listeners know, Wall Street has thrown ethics and professionalism out the window in exchange for profits and ridiculous executive salaries. When engaging in any relationship with a professional you need to know what your rights as a client are.

The following are the rights of a **Markowski Investments** client:

1. You have the right to a planner who has integrity

Trust between you and **Markowski Investments** is essential to a flourishing financial planning relationship. You rely on our honesty, professionalism and abilities to achieve your financial and life goals. We take our professional obligations very seriously.

2. You have the right to objective advice

Your needs are the nucleus of all recommendations made by **Markowski Investments**. We will always use our experience and judgment to carefully consider your family's unique situation. Your financial plan must fit your needs like a custom made suit, providing you and your family with advice that will help you meet your goals and dreams. This objectivity may require us to explain that your goals are unrealistic. Sometimes we have to apply some "tough love."

3. You have the right to be treated fairly

Markowski Investments will always treat you the same way he or she would like to be treated in a professional relationship. The "golden rule" is always in effect. This involves clearly stating what services will be provided and at what price. **Markowski Investments** will also explain the risks associated with our recommendations.

4. You have the right to privacy

For **Markowski Investments** to produce the best results from our financial planning relationship, it is necessary for you to divulge relevant personal and financial information. This information will always be kept in confidence.

5. You have the right to a planner who is diligent

Markowski Investments will discuss your goals and objectives with you and explain what you can expect from the relationship. Once we have determined what course of action is best for you than we act. **Markowski Investments** thoroughly investigates the products and services we recommend.