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Export date: Mon Mar 10 8:08:33 2014 / +0000 GMT

Wall Street Hates You

I have a saying, "Don't buy what someone wants to sell you. Buy what you have researched."

And so I would tell everyone: don't give brokers discretion over you accounts, and don't let them convince you to buy unusual bonds, or obscure securities of any sort. By unusual bonds, I mean structured notes, and eminent men like Joshua Brown and Larry Swedroe encourage the same thing: Don't buy them.

To the extent that it can, Wall street tries to sell retail investors the exposures that they don't want. They offer a higher yield, but take it away and then some if the things that they want to hedge go wrong. They sell you their problems, and if things go well you are unharmed, but woe betide your capital if things go wrong.

Trust is not owed to financial advisers or brokers. You need to treat them skeptically; if possible, you need to understand how they are compensated. They tend to earn more from securities that are less in the interest of buyers. (It is not much different from insurance salesmen.)

Wall Street exists to sell promises. That can take several forms, two of which are:

1) Buy an ownership interest in this promising company. It's the wave of the future.

2) Buy a promise to pay from this company under these conditions, and we will pay you an above average yield.

Wall Street knows more than you. They may make occasional mistakes, some of them big, but compared to retail investors, they know far more. They profit off of retail investors. You are the natural resources that they mine.

So why play with them? If you are using a broker, it is time to end your relationship there, and work with someone who has to put your interests first. Look for someone who is required to put your interests first.

It's not as if investment advisors like me always succeed; we don't. But the best of us do avoid greed and fear, and so protect investors from their worst instincts -- selling low, and buying high.

Take control of your investing, and if you can't do it yourself, find a talented person with self control who can.