Robbins Farley, LLC 1000 Elm Street,
Suite 707 Manchester, NH 03101
(603) 703-0255

Is Investment Advice a Commodity?

Even in simple commodities, we are willing to pay for added value. What about the management of your life savings and the future of those savings?

If two gas stations charged different prices, it would make sense to purchase gas from the lowest price gas station. After all, gasoline is a commodity and there is no value added from one station to another. But wait! Even at gas stations there may be three different prices depending on the specifications (Octane ratings). Coffee is another commodity. If you go to the commodity pages of a financial publication, you will see the spot price for coffee and the commodity futures price for coffee. The standard specification is for Robusta. Most of us would not drink pure Robusta. We prefer the taste of, say, Columbia Coffee, which is Arabica. The perceived value of Starbucks or Dunkin Donuts is often worth the premium. Or the convenience of K-cups outweighs the cost of buying coffee by the pound. Even in simple commodities, we are willing to pay for the value added of flavor or convenience.

What about the management of your life savings and the future of those savings? Don't they deserve the same attention to the specifications of the advice you are receiving as does gasoline or coffee?

Let's look at the "specifications" of investment advice

1. Asset Allocation Advice

How does your investment advisor determine asset allocation and what should it cost? The procedure some Wall Street firms follow is to ask you a number of generic questions about your time horizon, your age, and your risk tolerance. They then plug your answers into a computer program. The computer program spits out a "personalized" asset allocation. These programs and similar ones are available for free on the websites of some Wall Street firms and dozens of free websites. What should be the cost of this asset allocation advice? $0.00! It should be free—no fees based on assets under management. If the advisor spends some time with you, you might compute what the hourly rate might be and put in a mental price. That is fair because you did not spend the time doing it yourself on the internet from a respected website. Certainly, the fee is independent of the amount of money under management.

2. Implementation of the asset allocation

Your advisor, depending on the size of the portfolio, may choose certain types of investments, or individual managers to manage each portion of the asset allocation. Since some individual managers have difficulty outperforming their respective benchmarks, many advisors will use alternative investments to achieve the asset allocation. If your advisor insists that manager selection is a major element in risk-adjusted return, demand to see an actual comparison, not a hypothetical (illustration) which can be drafted to demonstrate anything the advisor wants to show. We refuse to use them for that reason. Demand actual case histories. When quoting management fees, your advisor may not disclose those fees (you can get the additional information on these fees by reading the prospectus. Ask your accountant if those fees are deductible).

What should the cost of implementing the assets by putting them into your portfolio? Compare the fees from your advisor with other brokers. You might be shocked to find out how much you are being overcharged for implementing simple asset allocation.

3. Monitoring Your Portfolio

Ask your investment advisor, how much improvement was achieved over the last five years by adjusting asset allocation. If they showed no improvement by tweaking the asset allocation or changing managers, their entire fee came out of your pockets because they did not offer any "value added" for their fee.

You may ask, "but who will hold my hand and comfort me when we have the next market crash." In 2008, did you hear?, "Don't worry, you're in cash" or "we bought some high quality bonds at a discount" or "we are starting to buy some real bargains at these depressed prices with the cash from our selling earlier." You may not hear that from your present advisor because they probably stayed invested in their asset allocation.

Again, I ask, is Investment advice a commodity?

While these opinions are not indicative of all advisors, I believe the answer for more advisors is unfortunately "YES". You may be putting your life savings and your future in with someone who is "Cheap" and can't provide you with a 5 year track record to show you how they did from before the crash to now.

Why Robbins Farley?

What do you get when you approach Robbins Farley as your advisors and change the custodians of your assets to Charles Schwab & Co., Inc?

First of all, we make sure we know you, and you know us. You learn that we are not a commodity, but we add value. The investment philosophy and strategy is our own. All of our costs are fully exposed and not hidden. We discuss what you are getting for your fees.

We earn our fees by using independent sources of data: using independent sources for economic data and monitoring what large financial institutions are doing on the market, not what they are telling their clients. Robbins Farley is an independent entity, offering products through Charles Schwab & Co., Inc. They supervise our compliance; monitor all of our Private Investment Management trades. The vast resources of Charles Schwab & Co., Inc., one of the strongest financial institutions in the world, are available to our clients through us.

We are looking forward to a new our relationship and are glad that we have the opportunity to demonstrate our "value added". We truly believe in our investment philosophy and strategy so much so that our own personal assets as well as our families' and friends' money are invested in the same discipline.