RE: Old farts, Stocks, College Girls, Asia and Ben “Our Savior” Bernanke

29 short years ago I started in the investment business and I promise one of these days I am going to get it right!

During one of my first days at the firm I was summoned by one of the old timers, he was ancient, especially compared to my age at 24, he dressed impeccably and was rumored to be one of the smartest and richest guys there, and that meant something in that office!

He called me into his office, as frequently the old guys did in those days to try to get some wisdom to get past my ego, enthusiasm and youthful impatience, he said, “Charlie, would you like to know the secret to making your clients money and having every day be fun for you and your clients?“ (Wow, I sure would like to have a second chance ato some of the opportunities I had, then)

I said “Sure”, because that’s what young men said to the old guys in the office, I looked at my watch because I didn’t want to miss happy hour and hoped that this dose of wisdom it wouldn’t take too long, because it was tourist season with lots of young college girls about to entertain.

He said, this business hurts the most when the “stuff” that you and your clients own goes down. That makes for a bad day for all.” He went on: “The secret”, he said and he leaned over and spoke almost in a whisper, “the secret, is owning the stuff that’s going up.” I wasn’t that impressed, that’s almost like saying “buy low, sell high.”

Easy to say, tough to do, I thought, clocks ticking buddy I think I hear the band starting up at the tiki bar across the street.

He went one, “Son”, he said, what by the way, gives every old guy the right to call every young one “Son”) “you don’t understand, It costs no more to buy a stock that is going down that one that is going up”. If you choose the one that’s going up you will make more money, your clients will multiply and your life will be happy joyful and successful. Choose the ones that go down and your will be poor, fail in this business, and die lonely in a cold dark moist place”.

(OK, I added a little to help the story out, he would have said that part about the cold dark moist place, if he had thought about it, I am sure.)

Nearly 29 years have come and gone since he told me that and I am here to tell you that it’s true. With the help of some great friends and my father and grandfather, I dedicated myself that yes, it seems to be a good idea to pick things that go up instead of down, and as you know, it was been successful, While I am no Warren Buffett, so far things have worked out reasonably well.

Then comes 2007 and 2008. Ben Bernake saves the world, much like a superhero with a beard..

This has been a tough year for everyone in the investment business and whether they know it or not, in the world. It has provoked me to make a change in how I do things, and hence brings back the wisdom from 29 years ago.

This is an age of being nimble, must more so than before. The markets are changing radically to the detriment of stocks that have never seen such movement it, time to join the word in being nimble.

There are two things that restrict me from being nimble, First is transaction costs. Few people ever complain about our commissions and that amazes me. We execute a trade for 1000 shares and it costs the client $360 (example) while they are reading the confirmation a few days later TD Ameritrade is advertising trades for $9.99. Something is just not right.

While no one complains we notice those high commissions make us slow to make moves more frequently. Never fear, if a move is warranted we do it, but not as fast as we might if the commissions were not so high. Those high commissions are an unnecessary hurdle.

They are unnecessary and stand in the way.

The second reason is the time it takes to call everyone and talk to them about buying this or selling that. In the past few years we have taken to letter writing, but even that is slow and cumbersome and takes a lot of time to get out. Meanwhile, prices are changing.

It's not a good use of our time to do bulk mailings or tell the same story on the phone 300 plus times. Having a large number of wealthy clients means to make a meaningful change in our investment posture mean I need to talk to 300 families, on at one issue.

My office make and receives well over 100(?) calls a day, without that load just dealing with our clients details. I guess due in part to a little success, we have trouble doing what I think we do best, manage things.

In short if I want to sell a stock out of all of our portfolios we must make 300 phone calls, now 99.99% of those people tell us "yes" go ahead but the effort is daunting and yet another hindrance to being nimble.

We have to change that and allow us get those barrier out of the way and allow us to be nimble and quick.

Soon, you will be receiving a package to transfer your accounts to TD Ameritrade where we have been established as an Institution. There when we trade you will pay much lower costs enjoy lower fess and thereby we overcome the first obstacle to our being nimble.

Secondly the package will contain an investment management contract which I will ask you to sign to hire my registered investment advisory firm Winning Points Advisors, LLC as your investment advisor. The contract will describe the fee structure for your account. In the future we will be compensated by a fee based upon the size of your account not on transactions. As such we will act as FIDUCIARIES of your money, we are required by law to place your interest ahead of ours. Of course that has always been our practice, so no change there.

This agreement will allow us to have discretion to buy and sell investment company shares (Mutual Funds and Exchange traded Funds) on your behalf. We will not be able to buy or sell stocks and bonds without your consent at least, not yet, and when that happens you will need to sign a entirely new contract.

This will solve a large part of the second obstacle to our being nimble.

Imagine the money we could have saved if we have place stop loss orders when the financials started to cave in last year. We could have done that anyway through our existing structure but the commission would have been high, hence we hesitated.

Using this new structure we can be nimble cheap and fast.

In the future when thing start to move very fast for or against us we can be (and intend on being) a lot more nimble and use those tactic like stop loss orders in an attempt to preserve capital.

We, as always, do not go into this untested, we have been running parallel platforms for almost two years and have found that the different costs structures are worth it. You are not the guinea pig.

Nearly 3 decades later, the gentlemen that I describe has long since passed away, I not longer leave the office at 5pm for the Tiki Bar (usually the airport) and soon my son, Preston will soon take over the long vacant post of entertaining the college girls. Good luck to him.

I will continue for as long as possible to do what I do best, I hope and ask that you will allow me to use these “modern” tools to allow us to adapt to what the world is like now.

My second client ever, this dates back to 1979 or 1980, I sstill a client today, she live in a nursing home in California and her son runs her financers slowly selling off the Exxon I bought for her back then, to pay for her living expenses. I really think those day are over. We need to be much more nimble.

Thank You, and together lets have, as my now long gone mentor suggested “be happy every day” because even after all these years there are few things as pleasurable to me as your “stuff” going up in value. If you doubt that for a second, please fire me!

Charlie-