

# Eads & Heald Investment Counsel

Established 1987

Atlanta, Georgia

Professional Portfolio Management With Experience And Integrity  
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## Equity Investing

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### **Chapter 16: Who Can Best Assist you with Your Investment Needs and How Should They Be Compensated?**

Years ago there was an actor/comedian named Jimmy Durante who often noted that “everyone wants to get into the act”. This has become very true regarding the business of managing money for people. Today, in addition to traditional stock brokers and banks, there is now an array of money managers from the insurance industry, certified public accounting, estate planning, mutual fund industry, independent investment advisors and so on. There are long television infomercials selling you the opportunity to manage your own stock portfolios with the easy buy/sell trading secrets they will teach you. They teach you how to consistently buy low and sell high. This type pitch no doubt appeals to the more gullible consumer who can least afford to lose money.

So, what is one to do? Well, you can't go wrong using an investment firm that advertises on, say, the Super Bowl.....can you? To be that rich and well known they must have been doing something right. True, but something right for who...themselves or the customer? Toss in the fact that myriad scamsters have emerged over the past few years who were managing money for people until the money all evaporated. There is a fine line between a crook and a firm that is not a crook but still puts their interests before the customer's interest.

Eads & Heald started in 1987. In our formative days we acquired much of our business from brokerage firms who wanted to gather assets but not actually manage the money themselves. Or, at least, their brokers had the latitude to use outside money managers. One such stockbroker was with a very large, well known national firm and had referred a couple of large clients to us. However, although we were producing very good results for these clients, no other referrals were coming from this broker. Once we called the broker to inquire about this and we were told that while we had the best investment results of all of the outside money managers he was using we simply did not trade securities enough to create a lot of commissions. In other words, investment results aside, this broker was placing clients with outside firms that created a lot of commissions for him. While this is obviously not surprising it is nonetheless troubling that the client well being was not the first priority. Eads & Heald always puts client interests first. Unfortunately, that has not been how all of Wall Street has conducted business over the years.

One good place to start might be to look for a firm that has as its sole business managing money in securities. This is not to rule out, say, real estate investments. However, while real estate can be an excellent income producing investment it can also be much less liquid than stocks or bonds if you need to sell it. In addition, it requires a very different skill set to evaluate real estate than, say, stocks or bonds. The point is that when your investment firm is in a multitude of businesses such as banking, insurance, annuities, estate planning, etc. you may be fair game to sell some of the other products that simply need to be sold. This could be due to higher

**profit margins in other products, shore up a lagging division within the overall company or maybe to help you. You simply never know.**

**How about the fee? It would seem that the best way to charge a fee is to have it based on a percent of the assets under management. This way the money manager has a real incentive to see the assets grow. This could be by way of more deposits from the happy client or because the assets grew on their own merit. Should the client be concerned that the money manager might take reckless risks to make the assets grow very fast? That would be a silly way to run a proper business. That type manager would be screened out in the initial decision selection process. Factors such as length of time in business, investment results, credentials regarding employers and education, client references and like items would be used to only consider experienced, ethical money managers.**

**The international gold standard in credentials for a money manager is being a Chartered Financial Analyst. This requires a certain level of work experience in addition to three exhaustive all day exams on all facets of analyzing securities. The exams are generally taken some months apart. Also, the highest possible standards of ethics are monitored and enforced. If the money manager does not have the Chartered Financial Analyst designation, you should ask why not. Scamsters tend to not have these credentials. They seek out the “easier road” to make money.**

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