



Advanced Practice Advisors

Registered Investment Advisor

Dear FINRA,

I have been in the Financial Services business for almost 30 years as a RR and IAR/RIA. I have watched many an RR and their clients suffer the consequences of having to raise production in order to pay the taxes on an EFL or hit the back-end hurdles. If an RR takes a check, and (I'll admit unwisely spends the money and gets complacent in his production) and then finds himself in a position of not getting a paycheck at all (because his production is barely enough to cover the taxes on the EFL), now the RR gets desperate and his clients suffer because of it. I personally know at least two, million dollar producers that moved firms, spend the money and had to file **Chapter 7 bankruptcy**.

I'll go out on a limb here and predict most RR's would never move firms if there was not a huge financial benefit to themselves, what's best for the client rarely comes into the calculation. In many cases the client gets a lower level of service as the RR is forced to find new assets/production.

I think this rule 13-02 is an essential part of the disclosure process for the following reasons:

1. Most RR's never tell their clients they are being compensated for moving the client's assets to a new firm.
 - a. Most instead tell their clients they are moving because the new firm is so much better when in fact **at best it's a lateral move solely for the benefit of the RR.**
2. Many RR's inflate their current production to benefit their T12 numbers for an enhanced upfront bonus, usually at their client's expense. (think VA with a 6 year CDSC and 6% commission here).
3. Most compensation packages have production and/or asset under management (AUM) hurdles built into the contract. If the RR is short of qualifying for the hurdle then the client is used to generate additional commissions to qualify the RR (again the client loses).
4. At the end of the day it's the client's assets that generate the commissions/fees that pay the for RR's upfront bonus, why shouldn't the client know how the RR is compensated for moving their assets?

I feel that anyone who opposes this regulation has something to hide. This industry is riddled with conflicts of interest, most clients are constantly being deceived (think Structured Product here), it's time we clear the air and come clean to clients with the only real reason why an RR makes a lateral move.

Please pass this regulation.

Regards,

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