Title:
A Stockbrokers Advice

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Summary:
It can be a good idea to use a stockbroker for an active management of your stocks or mutual fund portfolio. It can be vital if you want a steady growth. It may also be unnecessary as a passive management alternative often is available for long term investing.

However, many prefer to use and pay for the services of a broker because they feel more comfortable making decisions about their finances with the interactive guidance of a licensed advisor.

Using a stockbroker fo...

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Article Body:
It can be a good idea to use a stockbroker for an active management of your stocks or mutual fund portfolio. It can be vital if you want a steady growth. It may also be unnecessary as a passive management alternative often is available for long term investing.

However, many prefer to use and pay for the services of a broker because they feel more comfortable making decisions about their finances with the interactive guidance of a licensed advisor.

Using a stockbroker for financial guidance one must be aware of the fact that they do get paid on a commission. This can be a reason for them to trade more often as more trades make them more commission. The stockbroker is also paid on the result they can achieve.

Furthermore a conflict of interest arises when a stockbroker offers his/her services as a financial planner, because their revenue is generated as a direct result of your investment in the stock or mutual fund that they broker to you.

Your return on investment may not be as great, and the advice they give you might not be in your best interest. However, some mutual funds and stocks can only be purchased through a broker. In such cases their services are required to purchase the financial instrument in question.

If you use the services of your bank there are some facts to consider. When you talk about the options you have to invest your money, they will certainly recommend the funds they control themselves.

In some countries you can for example invest in a portfolio with shares and have a guarantee to at least get your initial investment back in 2, 3 or 4 years. Sounds great to many and when they say yes to invest, the bank charge 110%. In that way the bank make a profit and secure the costs from start. Do the bank take a risk? No, they cover themselves with other types of investments that function as an insurance.

So now your portfolio starts off with a backlog of minus 10%. Often the investment will recover and take back most of the initial loss and the guarantee makes many invest as they feel comfortable and secure when they invest in this way.

Back to the question about what kind of investments the bank recommend. Do they recommend other banks portfolios? I don´t think so. If you go to a car dealer that sell Ford, do they recommend you to buy a Lexus? Certainly not. A stockbroker working in a bank is not neutral, their job is to make you invest in the shares they make the biggest profit for them. If you make a profit too, that is fine but not their prime priority.

There are the authorities though to help the customer out. And there are rules and regulations about the way stockbrokers can and shall work. Depending on in which country you are investing the rules can vary. In some countries stockbrokers can have his own portfolio and the company where he works can also have an portfolio of shares.

This makes an eventual conflict arise whenever something special happens. There are numerous customers that suspect that they have been recommended shares in companies that will face problems and where the stockbroker wants to sell his own shares before the market drops. To prove these cases are almost impossible and to win them very rare. The number of transactions are also so big that it is almost impossible to trace and see a pattern. There might be just a few that went the wrong way.

Stockbrokers in general are behaving in a professional way and realise that their business will benefit most if the outcome for their customers are great.

As a customer you are advised to check the results that a stockbroker have produced, trace their records. Do not look at the advertisements, the truth about the results are not there.

On the internet you can now use the statistics by independent companies that range stockbrokers, funds, shares etc. Here you can find facts - vital facts for the outcome of your future incomes from investing.