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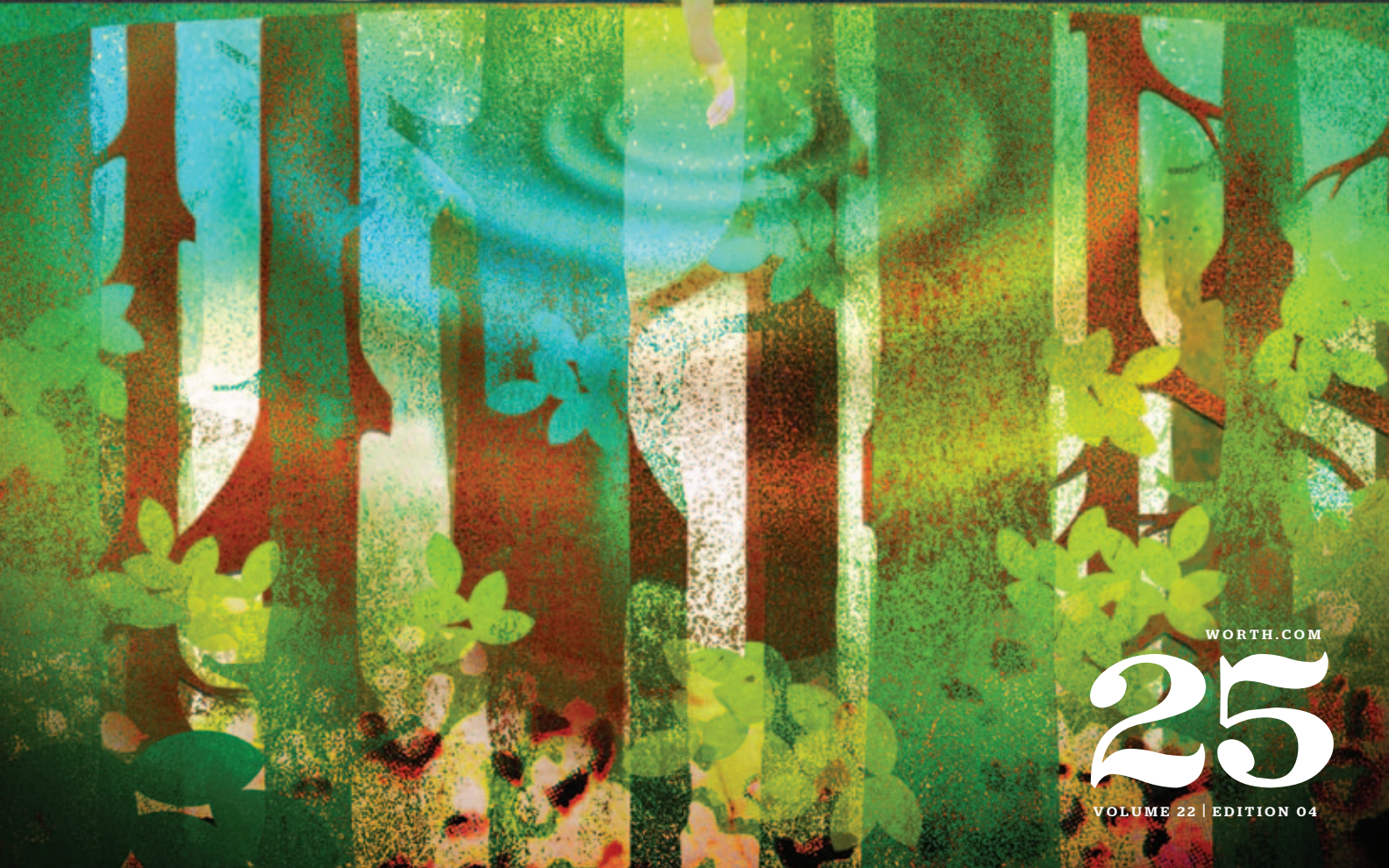
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## LLBH Private Wealth Management LLC

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# “Investment fees: Do you really know what you are paying?”

By Jim Pratt-Heaney

### Imagine you have just had a physical.

The doctor says that if you do not take immediate action to treat a disease you have, you could die. So what is your first step? Do you hire the specialist who charges the lowest fee? Absolutely not. Unfortunately, when it comes to people's financial lives, this is what many uninformed investors do.

The uneducated consumer believes that “cheap” equates to good in the financial industry. Often, too little attention is paid to the quality of the advice or to protecting one's nest egg. And in our experience, clients who take the “cheap” way out are paying much more than they think.

Fees for financial services are often difficult to uncover. Having worked at large financial institutions for over 20 years, we are at a loss to identify all of the various spreads and fees that we saw at those organizations. Terms like “no load” give the impression that the financial service companies are quite generous. Investors, in fact, are given so many options by investment firms—like A, B, C and I shares, and online “subscription” cost vs. commissions—that it is easy to be confused. Even when the “expense ratio” is disclosed,

it often does not represent the total amount the client pays. What about trading costs? These, too, can add up to an additional 1.44 percent, and this expense need not even be disclosed.\*

Many investors do not understand that when they buy/sell a bond, they pay the “spread,” which can be 1 percent to 3 percent. Because no charge or commission is listed on their trade confirmation, they are in the dark.

As industry veterans, we are disturbed that the real cost to the client is not clearly disclosed. **While this may not be deliberate, it has long been the way investment products are sold but in effect it “hides” the total cost.**

This scenario adds to the inherent conflict of a product that pays the person who sells it: Products A and B might both have a client fee of 1 percent. But what if Product B pays the broker more? Will the client know this conflict exists and be certain that this discrepancy played no role in the recommendation? What about pressure for an advisor to use the products of his or her firm? What about those additional fees for checks, debit cards, wire transfers, etc that drive us all crazy?

When we began our independent RIA firm, we recognized that most prospective clients do not know what they are paying for advice and investments. They do not understand the conflicts involved. As our founding principle, we pledged to be transparent with all costs. We place a premium on being as conflict-free as possible. We neither share in any fees paid to managers or investment products nor burden clients with nuisance fees. Our firm's belief is, “Honesty is the best policy.”

When we outline the exact annual fees clients will pay, including those for our firm's advice, those for independent managers and those charged by the custodian, clients may be surprised by the total. “We don't pay any investment fees” or “we would never pay that amount” are common refrains, and that can cost us business, short-term.

**However, the interesting point is that when we break down the true costs clients are incurring (but not seeing), they are usually greater than what they are objecting to!** So is honesty the best policy? We think so; how about you? ☺

\*Source: “Scale Effects in Mutual Fund Performance: The Role of Trading Costs,” by Roger M. Edlen, Richard B. Evans and Gregory B. Kadlec, March 17, 2007. Available at: <http://dx.doi.org/10.2139/ssrn.951367>

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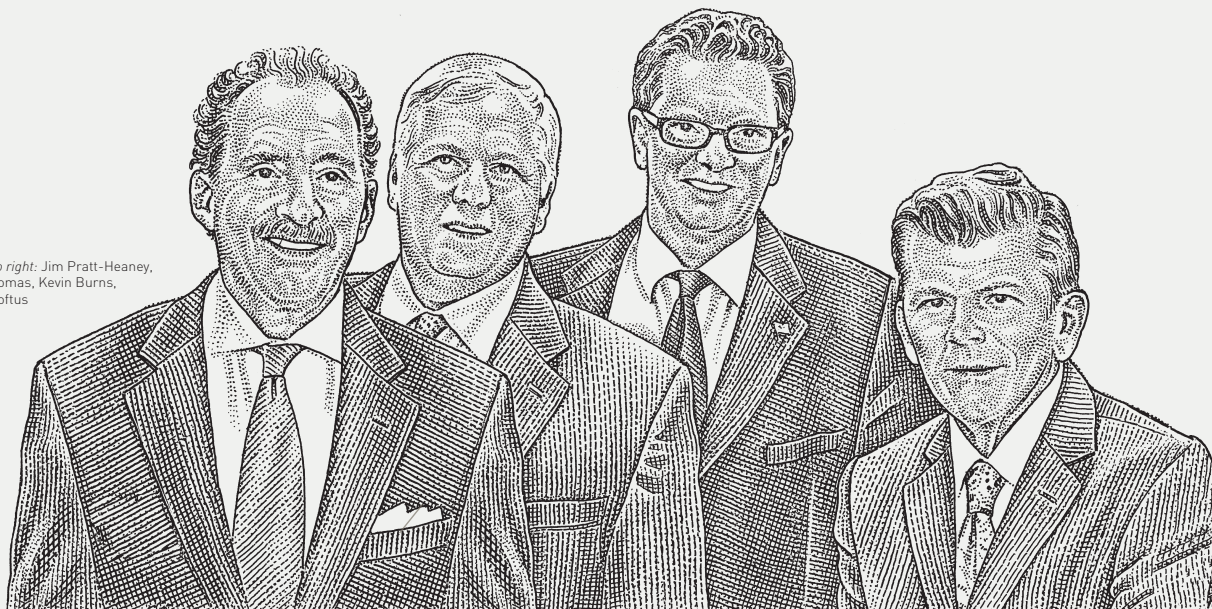
*“As veterans in this industry, we are disturbed that the real cost to the client is often not clearly disclosed.”*

—Jim Pratt-Heaney

#### How to reach **Jim Pratt-Heaney**

*I look forward to discussing how I can help you reach your financial goals. I can be reached directly at 203.683.1527.*

Left to right: Jim Pratt-Heaney, Bill Lomas, Kevin Burns, Bill Loftus



### Who Are Our Clients?

LLBH Private Wealth Management is a Registered Investment Advisory (RIA) firm, created to work with entrepreneurs and senior executives who became wealthy because they made great decisions. Our disciplined process ensures that we see the complete picture of your financial situation so that we can make informed and suitable recommendations to help you accomplish your goals and objectives. Our process also works for those who have been thrust into decision-making roles due to life-changing events such as retirement, the sale of a business, a divorce or a death in the family. Just as they do in their professional lives, our clients want a thorough and candid process in order to make smart decisions about their financial lives. Simply put, LLBH clients respect our ability to get things done.

Assets Under Management  
**\$1.1 billion**

Minimum Fee for Initial Meeting  
**None required**

Minimum Net Worth Requirement  
**\$10 million (investment services)**

Largest Client Net Worth  
**\$500 million**

Financial Services Experience  
**120 years (combined)**

Compensation Method  
**Asset-based**

Primary Custodian for Investor Assets **Pershing, A BNY Mellon Company**

Professional Services Provided  
**Planning, investment advisory, money management, advanced wealth transfer planning and corporate services**

Association Membership  
**Investment Management Consultants Association**

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