

# HOUSTON BUSINESS JOURNAL

## INVESTING

# Why you should care who backs your Houston financial adviser

**W**hen you consider a financial adviser, you're no fool. You do your homework on the individual, look into his or her history, track record and fee structure. Perhaps you even get independent advice from your accountant or lawyer on his or her worthiness.

One very key consideration in determining which broker or investment adviser to work with is with which firm is that individual registered? Sometimes the individual's or firm's brand has nothing to do with that of his or her broker dealer or registered investment adviser firm.

Recently, Ellis & Ellis Private Wealth Advisory switched its affiliation when it left Ameriprise Financial and registered with United Capital Financial Advisors after United acquired The Woodlands firm for an undisclosed amount. Even in that case, United and Ellis & Ellis thought that the local Ellis brand was too valuable to immediately forego at the onset. So it won't always be obvious who's behind your adviser.

But here's why it matters. Most firms have a track record you can access via public records online. Such portals will tell you whether a firm is in good standing, has enforcement actions against it or has had a high number of customer complaints. Those complaints can also give you a sense of whether or not that firm is associated with less-than-successful financial investment products.

"Ultimately, knowing the identity of your adviser's broker is part of pro-

tecting your assets," said David Woodcock, regional director of the Fort Worth office of the Securities and Exchange Commission.

Knowing who's executing your investment strategy can illuminate any conflicts of interest, like excessive or hidden fees, which increase costs to the investor and hinder the execution of trades, said Woodcock.

"Second, you want to make sure the executing broker is stable and reputable, because that will give you more comfort that your trades will be properly executed and that adequate controls are in place around the safekeeping of assets," said Woodcock.



Tom Ajamie

Even from a strategic standpoint, most investors want to know that their broker isn't continuously pedaling products that aren't successful, said Tom Ajamie, managing partner of Houston-based Ajamie LLP.

"You want to know whether they have a track record of associating with financial products that end up being a bust or financially detrimental," said Ajamie.

Once you know the identity of the firm behind the firm or the firm behind the individual, there are a few publicly available portals that can help you get the skinny on what that firm has been up to.

**1 The BrokerCheck** search portal on the homepage of the Financial Industry Regulatory Authority's website can generate detailed reports on an individual or firm, including regulatory events.

**2 The Texas State Securities Board's investor education website** has links that will either route users back to FINRA, the Investment Advisor Public Disclosures database, or allow them to order an even more comprehensive report from the WEBCRD system via phone or email.

**3 The IAPD database** will account for advisers that are not registered brokers, but rather only registered as investment advisers. FINRA's BrokerCheck always shows an individual or firm's registration status and can link users to the IAPD database whenever relevant.

**4 The SEC website** will route users back to one of the above-mentioned portals, in addition to showing any rulings or announcements concerning a particular firm.

In the case of United Capital Financial Advisors, its Form ADV, or uniform application for investment adviser registration, asks whether or not the firm has ever been found in violation of a non-minor rule by a self-regulatory organization (like FINRA), and the firm answered "yes."

It bears remembering, however, that just because a firm has such disclosures, doesn't mean it's a bad firm by any stretch. In fact, it can be a positive indication of transparency.