



The Rep Letter

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WHY ARE THERE FEWER INVESTMENT PROFESSIONALS AND FIRMS??

The uninformed answer to this question is that “business is bad.” Meaning, we suppose, the market is not moving straight up, the economic environment is poor or uncertain or both.

While these things are true, our “take” on the matter is somewhat different, and we believe more realistic. Over the course of the past several years, we have witnessed shrinkage in active broker dealers of about 18%, which has occurred for a number of reasons. Boiled down, we believe this shrinkage has occurred because of extremely poor management. Management may be poor due to of lack of managerial competency (a very broad category), or because of greed in one form or another. For instance, let us examine the number of firms, which have left the business, or are presently in financial difficulty, because of financial problems caused by sales of bad (sometimes-fraudulent) limited partnership or private placement vehicles. Perhaps these situations represented a lack of due diligence (or managerial ability) on the part of the firms who sold these investments, or, perhaps greed was a major factor. In an attempt to recruit additional associates, we have examined large numbers of the regulatory records of the associates of these firms, which have gone out of business. The result of these reviews was very revealing (shocking actually). The numbers of regulatory or customer actions against these “investment professionals” was such that we would only consider approaching perhaps 5%! We do not believe that 95% of these brokers are or were dishonest, but rather just poorly managed.

We believe that the continuing economic crisis and industry changes will provide challenges to industry participants not seen in many decades. Consider a firm which is well managed, and with a compliance department which will keep you out of trouble.

The days of placing client assets in mutual funds and ETFs, then charging an advisory fee, are drawing rapidly to a close. The days of placing most client assets in illiquid and non-transparent investment vehicles are already over.

The days of poor or improper diligence and record keeping are also over.

Business is not “bad,” it has just changed, and has become more challenging. For those who accept this there is light and opportunity at the end of the tunnel. For those who do not understand this, the light is indeed a train!

We can offer you the opportunity of a much brighter financial future.

Have a great day, and call us!

Michael C. Jordan
President

Polar Investment Counsel Inc is a federally registered investment advisory firm and broker dealer, which manages customer accounts on a fee or commission basis. The firm's senior principal, Michael Jordan has nearly thirty-five years of industry experience.

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