From: Scott Belgard [mailto:Scott.Belgard@RaymondJames.com]
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To: EBSA, E-ORI - EBSA
Subject: RIN 1210-AB32 Sheep need a shepherd

Investing is not so simple.

All things being equal, there is no doubt that lower costs mean higher returns.
BUT, all things are not equal.
People in general are not savvy, rational investors.
They are sheep who in their naivety would most always do the wrong thing when there is not a shepherd to lead them.

They need someone to speak to them and tell them why they need to stay in the markets. They are not going to read
it for themselves and make a rational decision.
Their decision will be emotional. Computers don't have emotions and therefore have no interaction of empathy like an advisor does.

You can't expect people to fill out a questionnaire and put their money in an efficient portfolio for their risk preference
and expect them to stay there when the economy goes south.
They just aren't that savvy.

I can count on one hand the number of savvy investors I have met over the last 23 years.
Most investors are like sheep. They need to be told what to do. They need a shepherd who will talk them off the ledge
when economic times get tough.
They need someone who understands historical economies such as the financial panics of the 1800s, the panic of 1907, the great depression,
the market after 9/11, and the financial crisis of 2008.
They need someone to tell them everything will be fine.
They also need someone to tell them not to put all their money in stocks. They need someone to tell them how the stock market dropped to 10%
of its value after 1929 and did not fully recover until well into the 1950s.

They can't get this stuff from a computer program.

After 9/11 I talked my clients off the ledge who would have sold everything and put the money in CDs. Would they have been better off without me?
In 2008-09 I talked many clients off the ledge and was the calming voice in the storm. They stayed invested because of me. Had they picked their portfolio from a computer program I bet they would have sold and gone to low rate CDs.

There is much more to investing than just picking an optimal portfolio. There is the relationship of the novice investor with the advisor who understands the client's risk preferences from an interactive conversation. The advisor protects the client from the client's own ignorance.

The key to making money in the financial markets is staying in when economic times get tough. The advisor offers insight on what the Fed is doing to rescue the banking system.

There is no doubt that a good computer program can pick good investments but the advisor's role is to keep the client invested and talk them off the ledge when the economy tanks.
So what if it costs the clients 1% to 2% per year. In the end if the client stays invested they are much better off then had they paid less in costs but ultimately were not invested because they sold out when markets were down and did not have a shepherd to lead them.

For those few savvy investors, let them go to no-load funds. They don't need my advice and I don't want to try to advise them.

I am afraid that this fiduciary rule will ruin the relationships I have with my clients. I haven't heard any of them complain about costs.
Nor have they complained that I churn their accounts. I am already of the buy and hold belief.
I invest my client's money in well diversified portfolios and make changes only as their circumstances change.

I know there are brokers out there who churn accounts and just want to make money for themselves. Yes I watch "American Greed".
But don't punish all of us for what others do. Go find the ones who abuse clients and punish them.
Punish the wolves not us shepherds.

Scott Belgard
Financial Advisor

Kelly Waldrop
Registered Sales Associate

Raymond James and Associates
T 256.505.3484 // F 256.505.3821
1724 Gunter Ave. Suite B
Guntersville, AL 35976

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