H&H WEALTH MANAGEMENT
Plan • Implement • Achieve

How We Are *Different*?

Harris and Harris Wealth Management Group, LLC is a Registered Investment Advisory firm. As a Registered Investment Advisory firm, we are held to a much higher fiduciary standard. There are many differences between large firms, their advisors and us. Harris and Harris Wealth Management Group prides itself on being a boutique advisory firm dedicated to providing a high level of service to its select group of clients. For example, the business model of a large firm differs greatly from that of an independent broker or a Registered Investment Advisor (RIA). A broker differs in that they are held to a suitability standard while a RIA is held to a higher fiduciary standard.

The information included highlights the differences between a Registered Investment Advisor, brokers and brokerage firms.

ISSUE: Personal Service and Capacity

PROBLEM: Advisors in large brokerage firms and banks are strongly encouraged and pressured to continue increasing their total client base. This results in the number of client relationships becoming too large to effectively maintain and manage thereby reducing the ability of advisors to provide a high level of service that the advisors' clients may expect or have become accustomed.

OUR APPROACH: Our firm, Harris and Harris Wealth Management Group, LLC, has made a conscious decision to work with a smaller number of affluent and wealthy clients. This assures that we can provide a high level of personalized service to each client.

ISSUE: Focus on Revenue

PROBLEM: In large publically traded brokerage firms and banks, a conflict exists between the client, the company, its advisors and its shareholders. Shareholders expect increased quarterly stock performance driven by profitability. Therefore, senior executives, in an effort to satisfy shareholders expectations, place production requirements on mid-level managers. These managers instinctively pass these requirements down to the advisors who are ultimately responsible for producing the revenue. The result is a culture driven by sales rather than advice. When production of revenue becomes the main focus, the interest of the client becomes secondary to the interest of the company.

OUR APPROACH: At Harris and Harris Wealth Management Group, LLC, we believe revenue is a byproduct of quality service. We also believe that when the client is served well, they will tell others about us. Therefore, our focus (and legal obligation) is putting the interests of our clients first. This conflict of interest is thus eliminated.

ISSUE: Proprietary Products

PROBLEM: Companies who have their own brand of products experience a greater profit from the sale of the brand products. It is typical for clients working with these types of firms to have an excessive amount of proprietary investment products in their accounts.

OUR APPROACH: As an independent RIA firm we have no proprietary products.

ISSUE: Signing Bonuses

PROBLEM: In large brokerage firms, it is common practice, to entice brokers to abandon their current firm in order to join another with large upfront cash payments. Additionally, the new firm will require that the advisor sign a contract "handcuffing" them for years to the new firm. This arrangement carries with it an expectation that the advisor must produce a significant amount of revenue to offset the bonus paid to them by the new firm. Even though this is legal, it encourages a culture of self survival resulting in the advisor focusing on sales production goals therefore the client's interest becomes secondary.

OUR APPROACH: This program does not exist at our firm.

ISSUE: Confidentiality

PROBLEM: In many firms, client's personal information is commonly shared during sales meetings and with other departments.

In sales meetings, confidential information is frequently heard by those in attendance, even though they may not be directly involved with the client.

Sharing client information with other departments is considered cross selling and is a common practice with large banking and investment institutions. One example of cross selling would be a teller, bank loan officer or branch manager sharing client data with the bank's investment representative. The investment representative would then review the client's account information and contact the client in order to convince the client to purchase a specific product. This then results in increased revenue for the company.

OUR APPROACH: Harris and Harris Wealth Management Group, LLC is legally obligated to hold clients information in the strictest of confidence. We only share client information if required by law or given written permission by the client.

ISSUE: **Production Quotas**

PROBLEM: At large investment firms and banks, the inherent focus is on revenue. Advisors of these firms and banks are expected to generate a certain amount of revenue for their employer. This pressure to produce, results in a focus on sales goals rather than on advice.

OUR APPROACH: As an independent advisory firm, Harris and Harris Wealth Management Group, LLC has no production quotas.

ISSUE: **Compensation**

PROBLEM: Advisors who are paid by commissions often experience a strong temptation to sell products to generate income and revenue for their companies. Sometimes, when an advisor is having a low production month, they may be more inclined to push products to generate increased commissions. This creates a conflict between their need for income and the clients need for fair, objective advice.

OUR APPROACH: At Harris and Harris Wealth Management Group, LLC, we work on a fee only basis and do not receive commissions for investment recommendations. Moreover, since our fee is directly tied to the value of the account, our fee will increase when the account value rises and decrease if the account falls in value. Therefore, this relationship puts us on the same side of the table as our clients.

ISSUE: **Legal Standard – Brokers versus Registered Investment Advisors**

BROKERS ARE SUBJECT TO FINRA CONDUCT RULE 2310(A) WHICH READS:
"In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his security holdings and as to his financial situation and needs."

REGISTERED INVESTMENT ADVISORS–ARE SUBJECT TO A FIDUCIARY STANDARD.
A fiduciary duty is an obligation to act in the best interest of another party. A fiduciary obligation exists whenever the relationship with the client involves a special trust, confidence and reliance on the fiduciary to exercise his discretion or expertise in acting for a client. A person acting in a fiduciary capacity is held to a high standard of honesty and full disclosure in regard to the client and must not obtain a personal benefit at the expense of the client.

The difference is clear.

Choosing a Registered Investment Advisor will increase the probability of finding someone who will place your interests first…it is a legal requirement!