

The New York Times

Spending Well

APRIL 23-24, 2016
Copyright © 2016 The New York TimesMANAGING YOUR MONEY,
WORK AND SUCCESS

Talking Points



LAURE JOLIET FOR THE NEW YORK TIMES

With Trees and Plants
As Neighbors, Longer Lives

Living near greenery may help you live longer, a study suggests. Researchers monitored 108,630 women from 2000 to 2008 and used satellite imagery to track vegetation where the women lived. During that time, 8,604 died. Those living in the highest one-fifth of greenness had a mortality rate that was 12 percent lower than those in the lowest one-fifth. The study's author said there were four important factors in greener areas: less air pollution, more physical activity, more social engagement and better mental health, as measured by a lower prevalence of depression.

Reining in Payday Loans

Payday loans are well-known for high interest rates and fees but many borrowers also incur fees from their own bank when automatic loan repayments fall short. Overdraft and insufficient-fund fees often add hundreds of dollars to the cost of a loan, according to a study by the Consumer Financial Protection Bureau. The bureau hopes to introduce new rules, such as cutting off creditors after two consecutive unsuccessful attempts to deduct a loan payment from a borrower's bank account.

Dylan-Inspired TV Show

Innovative music deals are behind a spate of new streaming television shows. "Beat Bugs," a cartoon series on Netflix that uses Beatles songs, along with two planned shows — "Time Out of Mind," a Bob Dylan-themed drama for Amazon, and another Netflix cartoon that

draws on the Motown songbook — are the result of deals that give access to valuable songs. "Time Out of Mind" is planned as an hourlong drama and will include characters and settings from the lyrics of Mr. Dylan's 600-song catalog.

Green Goes Mainstream

Seventh Generation began selling environmentally sustainable products almost three decades ago and there were relatively few consumers. Green is now mainstream, and Walmart and Clorox are promoting their natural lines. Seventh Generation began a \$15 million advertising campaign this month, the biggest in its history. The ads star Maya Rudolph, of "Saturday Night Live" and "Bridesmaids" fame, who is appealing and slightly goofy. There are three versions of the ad — "Not Blue Goo," "Weird Dyes" and "Common Scents" — and they appear online and in print.



ROBERT NEUBECKER

When Brokers Behave Badly

INVESTING
RON LIEBER

A website allows investors to check out the people handling their money.

With the news that professionals who invest your retirement money will have to do so with your best interests in mind, many people may go shopping for a stockbroker soon.

But anyone who does ought to examine a working paper that three professors released last month. Here's some of what they found:

■ Among brokers employed from 2005 to 2015, 7.28 percent had at least one disclosure in their industry records for a settled consumer complaint or worse.

■ Many household-name firms have double the percentage of brokers with such marks. Oppenheimer tops the list at 19.6 percent.

■ Five of the 10 counties with the highest percentage of brokers with disclosures are in Florida. I looked up all 50 Oppenheimer brokers within 25 miles or so of Palm Beach. Seventeen of them — or 34 percent — had spotty records, and some had nine or 10 things to disclose. Then I called them all and tried to ask how they would advise readers to evaluate their records. The company acknowledges that it has some work to do.

Before we get there, let's talk about this data, where it comes from and some of the assumptions the researchers made.

The brokerage industry is unique in that there is an easy way for consumers to look up and read about the problems that its employees have had at a website called Broker-

Check maintained by the Financial Industry Regulatory Authority, the nongovernment industry regulator known as Finra. When customers get into disputes with their brokers, the results of any formal proceedings generally end up in BrokerCheck. So do any penalties. If the broker has been fired for cause, this, too, will generally show up, as will any personal tax liens on brokers or bankruptcies they've filed.

Any of these items results in what the database refers to as a disclosure. A disclosure is not evidence of wrongdoing in and of itself, because there are disclosures even when a customer brings a complaint and arbitrators dismiss it. Still, any disclosure ought to be a warning.

Mark Egan of the Carlson School of Management at the University of Minnesota and Gregor Matvos and Amit Seru of the Booth School of Business at the University of Chicago, said they were curious about misconduct when they realized that they could run industrywide numbers. "If you told us we'd have 1 percent, that would have been reasonable to me," he said. They ended up with a surprising 7.28 percent.

The analysis relied on a particular definition of "misconduct." To them, it is fair to describe settled consumer complaints as misconduct. After all, the median settlement amount that aggrieved consumers receive is \$40,000. A quarter exceed \$120,000.

Industry representatives find this definition of misconduct absurd. "Both parties have their own incentives to settle," wrote Kevin Carroll of the Securities Industry and Financial Markets Association. "Cases frequently settle in order to save time and money, to reduce risks and exposure, and to ensure finality. Many if not most cases settle for reasons having nothing to do with

Financial Misconduct

A study calculates the percentage of stockbrokers who have committed misconduct at least once.

7.28%

Among brokers employed from 2005 to 2015, the percentage with at least one disclosure in their industry records for a settled consumer complaint or worse.

19.6%

Percentage of brokers at Oppenheimer & Co. who disclosed at least one incident of misconduct.

\$40,000

The median settlement amount that aggrieved customers received.

alleged "misconduct." Plenty of investors with buyer's remorse blame their brokers, even when they signed off on risky investments.

Professor Matvos said he believed that their definition of misconduct was conservative. He added that even when brokers had a complaint that was dismissed or dropped, that was still predictive of future problems. And brokers who do have disclosures for misconduct, by the professors' definition, are five times as likely, on average, to end up with similar marks on their records in the future as all other brokers. (The other broker disclosures that meet the professors' definition of misconduct are regulatory actions, a job change after an allegation, customer disputes with actual awards and completed civil actions.)

It's also possible that the researchers are undercounting misconduct. Many customers have no

idea that their brokers are working them over, and others never report it if they do figure it out. Some brokers clean their BrokerCheck files through a process called expungement. And the researchers acknowledge that their numbers for some firms may include many people registered with Finra who don't have any customer access, thus skewing the data, since no customer would ever complain about them. They hope to address this in the future.

But whatever the definition of misconduct, down in Florida, Oppenheimer's roster of brokers would raise eyebrows. Most of the professionals there with disclosures have more than one.

Michael Sandberg, a 26-year industry veteran, has 10 disclosures, seven settlements and a \$10,000 fine from 2005 for frequent buying and selling mutual fund shares in client accounts. Charles Shalmi, a 31-year veteran, has nine disclosures, including a decade-old two-year revocation of his ability to sell securities in Illinois. Neither responded to messages seeking comment.

Does Oppenheimer have standards for whom it is willing to hire? Yes, according to the company, but they are proprietary. In a statement, the company said it was making "sweeping" changes to its team of brokers. However, 80 percent of its brokerage force has a clean record.

The researchers note that brokerage customers who are older, less educated and wealthier end up in trouble most often. If your broker has disclosures, ask questions. For any conversation to happen, you have to dive into BrokerCheck in the first place. It takes 60 seconds.

"The big puzzle we face is how do we get those people to use the information at their disposal?" Professor Matvos said.

For Philanthropists, Learning How to Say No to Worthy Causes

WEALTH
PAUL SULLIVAN

Sometimes the hardest part of being a philanthropist is saying no — particularly if the request comes from worthy organizations or equally well-heeled friends.

"It's hard to say no to someone working on a worthy cause," said Susan Wolf Dittkoff of the philanthropy practice at the Bridgespan Group, a consultancy.

But how philanthropists say it can clarify their mission and help the rejected organization. Carrie Morgridge, of the Morgridge Family

Foundation and the author of "Every Gift Matters: How Your Passion Can Change the World," said her family's foundation often makes three-year gifts to groups working in education, health, the arts and the environment. But she said she told organizations at the outset that three meant three. "We're often asked, 'Can't you just do Year 4?'" she said. "We say, 'No, that's part of our agreement.' When we say no, we try to guide them to the resources in the other foundations and the other resources in the sector."

Most of the time, the no comes before a relationship has been established. John Oddy, senior phil-

anthropic director at Foundation Source, recently wrote "Just Say No: The Art of the Turndown," which outlines the best ways to reject requests. At the top of his list is to be direct but compassionate.

"Part of giving them the news is allowing them to feel like they've done everything they could — to the extent that you can validate their cause or their effort while at the same time saying this isn't a great fit," he said.

Marianne Philbin of the Pierce Family Foundation in Chicago says that saying no doesn't get easier with time. "The earlier you can make a decline for legitimate rea-

sons, the less painful it is for everybody," she said. "The sooner you can establish is there a fit here or not, the more respectful you are of everyone's time."

The Pierce foundation, she said, focuses on funding services for the homeless in Chicago but more specifically on making grants to help organizations with operating expenses. "When declines are the most difficult is when an agency is taken through a laborious process that takes up time from board members and staff and the C.E.O. and it still comes out with a no," she said.

Then there is the no that comes when philanthropists are asked by

friends or peers for donations to their own charities. Mr. Oddy often recommends they send the request to the board. When the request is rejected, the philanthropist can blame the board. This tactic is fairly transparent so people need to show they care about that cause. "I'll personally come to the benefit where you're being honored to show you that I care about you and your cause," he said. "But make it clear that you're not going to be ongoing funders."

However they handle requests, every philanthropist has to say no at some point. "Declining worthy projects is part of the package," Ms. Philbin said.

YOUR LIFE'S WORK IS OUR LIFE'S WORK.

You've worked, sweated, and sacrificed. You've made good on a few of life's dreams. Our team will honor this lifelong effort with the same level of dedication—and the same work ethic—that it took to realize your dreams.



PROTECTING DREAMS | First Advisors

Investment Management. Retirement Planning. Trust Services
firstadvisorsonline.com | 866-563-1900

Securities and investment products are not bank deposits, are not insured by the FDIC or any other government agency, are not obligations of, nor guaranteed by, any bank or bank affiliate, and may involve investment risk, including the possible loss of value or principal amount invested.