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|---|-----------|--------|
| N.Amer Europe Asia Currencies | | |
| | | |
| DJIA | 12,188.69 | 145.13 |
| Nasdaq | 2,729.31 | 41.03 |
| SP500 | 1,296.67 | 16.57 |
| TSX | 13,104.98 | 138.49 |
| 10 Yr Note | 3.07% | 0.04 |
| 6/29/2011 8:51am ET Source: Telekurs | | |

BROKER'S WORLD

Clients Come Out Of Their Shells

By JENNIFER HOYT CUMMINGS
A DOW JONES NEWSWIRES COLUMN



- Clients are bringing up ideas that have done well in the recent past, like commodities
- Clients raising questions about stocks with unusually high yields for today's environment
- Clients more in touch with their tolerance for risk

While markets have fallen sharply in the last month, they still remain far above the depths of the financial crisis. In this Broker Talk Q&A, we asked financial advisers if clients are being more outspoken, and bringing investing ideas to them, now that the markets have generally improved.

-Ricardo L. Nazario is with Morgan Stanley Smith Barney in Houston and has 23 years experience in the industry. He says:

"The short answer is yes. In my opinion, the Fed is maintaining both an accommodative as well as a stimulative posture. That is to say, not only do they want to stimulate credit, but by maintaining a 0% overnight rate, holding cash and "cash like" investments can become a costly choice for those needing income.

"Although the emotion of fear can overpower the emotion of greed, it has been my experience that when retail investors feel that the sharks have left the beach shores, their longing for investment returns creeps back in.

"In times like these, retail clients tend to bring up investment ideas that have done well in the recent past, such as precious metals and commodities, although these investments may not be in line with their risk tolerance and investment objectives. As financial advisers, we must remind our clients that asset allocation can help drive returns, but usually not by any single investment idea."

-Sharon Sager is a private wealth adviser based in New York City with UBS Private Wealth Management. She has 28 years experience in the industry. She says:

"The number of clients bringing ideas to us ground to a halt during the credit crisis. Now the ratio has returned to pre-crisis levels, but has not increased. We have a true advisory practice, with most clients depending on us to make recommendations based on our full understanding of their situation, goals and risk tolerance. A small percentage of our clients are proactive, using a combination of our ideas and their own.

"Lately, clients come to us with questions on stocks with unusually high yields for today's environment, particularly since the S&P dividend yield is only at 1.92%. My first question to them is "at what risk and would it be worth it to lose 20% or more of your principal while you wait?" "Instead, we try to have them focus on companies with consistent dividend growth. For example, UBS has a Dividend Ruler stock list that consists of stocks that offer an attractive dividend yield and grow their dividends over time in a steady, predictable manner. We find the most attractive combination of dividend growth income and consistency in the consumer staples, industrials and health-care sectors--which combined represent nearly 60% of our current Dividend Ruler stock list."

-David A. Borden is a principal of CCR Wealth Management LLC, a registered investment advisory firm in Westborough, Mass. He has about 17 years experience in the industry. He says:

"In general we have seen an increased number of investors interested--or curious--about market opportunities since the general tone of equity markets began to improve in 2009. The correlation grew in 2010 as the stock market's recovery continued. By this we mean that clients will generally come to us and ask our opinion of a recent article they've read in the business section of a paper or online. While we manage existing individual stock positions, we really do not recommend specific stocks to clients on an ongoing basis, but this curiosity or interest in discussing risk-capital ideas can certainly be traced to the improvement in the stock market, in our view.

"Having said that, events of the last three months or so, including devastation in Japan, U.S. budget battles and European fiscal issues, also prove to us that people are uneasy and more skittish than we can remember over the past decade or so. It's unfair to paint all our clients with the same broad brush, but it's also not all that uncommon to speak to an investor interested in adding oil or metals exposure to their portfolio one day, and asking if they should be getting out of the market altogether one week later."

-Brian Ullmann is a financial consultant with the Ford Financial Group in Fresno, Calif. He has been with the firm for five years. He says:

"In our experience, clients have not been any more proactive about bringing specific investing ideas to us than they have been in the past. We receive a few more inquiries now about investments like gold or exchange-traded funds, but the large majority still rely on our expertise.

"The real difference now is that clients are more in touch with their tolerance for risk--they watch the markets more closely and are more vocal about their feelings. Many are torn because they see the markets improving, and they want to be part of the rallies. Yet it doesn't take much of a dip in the major indices to remind them of the drop in late 2008 and early 2009. Clients are slowly regaining their confidence, but most are still nervous because of ongoing issues with European debt, recent natural disasters, high oil and gas prices and questions about the U.S. deficit."

-(Broker Talk poses a periodic question to several advisers and then publishes their brief responses. If you have a suggested question, or are an adviser and would like to participate, please contact Broker's World reporter Jennifer Hoyt Cummings at 212-416-2474 or by email at jennifer.cummings@dowjones.com. You can also follow Broker's World on Twitter: <http://twitter.com/BrokersWorld>.)

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Sharon Sager Ricardo Nazario



Brian Ullmann David Borden

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