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BACKSTAGE WALL STREET

**An Insider's Guide to Knowing Who to
Trust, Who to Run From, and How to
Maximize Your Investments**

JOSHUA M. BROWN

JOSHUA BROWN is a New York City-based financial advisor. He is a former stockbroker and finance industry professional. He writes a popular blog about financial markets and the economy. He currently acts as an investment advisor for high net worth individuals, charitable foundations, retirement plans and corporations. He also serves on the advisory board of Brightscope, a financial information company which is dedicated to engendering greater transparency within the financial advisory industry. He is a weekly contributor to the *Wall Street Journal*, *Fortune*, *Forbes* and a regular guest on CNBC.

The Web site for this book is at www.TheReformedBroker.com.

ISBN 978-1-77544-728-3

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MAIN IDEA

For all the publicity Wall Street enjoys, investors should never assume the financial markets are set up to make them money. On the contrary, Wall Street – the world’s biggest organized money machine – serves the interests of the financial services industry insiders solely and exclusively. Wall Street was never intended to be something the average investor would benefit from financially and this is a fact-of-life investors will always be better off if they keep in mind.

When you strip away all the glitz, the underlying message of Wall Street firms is always: “Trust us, we know what we’re doing because we’re professionals at this.” By definition, that’s impossible. For every trade which a broker suggests to a buyer, another broker is making a sell suggestion to a seller or else there wouldn’t be a market. Everyone hopes they will be on the right side of the deal but logically they cannot both be right. Keep that in mind the next time, you’re pitched. Wall Street positively oozes false glamour, contrived accuracy and manufactured confidence in order to separate you from your money.

“There is a financial services industry facade that has been built on the premise of precision, an artifice that’s been decades in the making and billions of dollars in the marketing. The implication of this perpetual campaign is that “there’s a right way to invest, and only we are privy to its mechanics, we’ll take it from here.” The truth is, there is no more precision in financial services than there is in medicine or architecture or computer science. Things go wrong, people act emotionally, and not everyone has the best intentions at all times. I have several thousand headlines dating back to when stock trading first took place under the Buttonwood Tree to prove this. The message I’ve tried to convey throughout is that there is no ‘system.’ We all are fallible no matter how smart or rigorous we may be, no matter how sophisticated our process. Most importantly, investing precision itself is a fallacy, and those who make forecasts with certainty are doomed.”

– Joshua Brown

1. The Key Players of Wall Street. Pages 2 - 3

The legendary figures of Wall Street got to be that way by hanging out their shingles during the formative days of the market but today it is stockbrokers who populate Wall Street by-and-large. The thing you need to know about stockbrokers (or financial advisors or wealth brokers as they have termed themselves in more recent years) is they consider selling stocks to be far more important than recommending the right stocks. And they get taught the science of how to close anyone guaranteed.

2. Wall Street’s Product. Pages 3 - 4

While cashed-up war bonds were the most common way for people to fund buying Wall Street stock, that was only a preliminary skirmish. The real revolution came when mutual funds came along. Mutual funds are America’s dominant investment instrument and they show how creative Wall Street can become when there’s money on the table to vacuum up. And for what ever cash mutual funds don’t catch, Wall Street has developed Exchange Traded Funds which target every conceivable index, sector, asset class, investment style or other classification known to man.

3. Anatomy of an Investment Pitch. Pages 5 - 7

Wall Street has refined the practice of pitching financial products down to a very fine persuasive art. There is a legendary Straight-Line Pitch (also known as the Lehman Method) which allows brokers to respond to the kinds of excuses investors come up with every day. Just remember the next time someone is pitching you on an investment their ultimate aim is to earn a commission by selling you something. Regardless of how they come across, the only person who will protect your own interests is you. Don’t get suckered by the pitch.

4. The Promise of a Better Way Page 8

At present, there are still some serious disconnects between Wall Street and Main Street. There are fundamental problems with America’s financial services sector including conflicts of interest, aggressive sales practices, deceitful marketing and hidden fees. The best you can do as an investor is to avoid some of the more obvious stock market land mines and then inoculate yourself against Wall Street’s marketing kung fu. Whenever you start to fall under their spell, just remind yourself that investment companies exist to make money for their owners. You’re under no obligation to help them achieve that goal.

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