

## **Here's your guide for a good stockbroker**

**By Maduka Nweke**

A stockbroker is an individual who is especially trained and certified to participate in the securities market on behalf of clients. The stockbroker has a dual role, that of principal and agent. When the Stockbroker acts as agent for the buyers and sellers of securities, a commission is charged for this service.

As an agent, the stockbroker does not own the securities but is merely performing a service for the investor. This means that the broker will buy for the buyer and sell for the seller, each time making sure that the best price is obtained for the client. In the capacity as principal, the stockbroker owns the securities and trades from this stock. Usually a spread is made when the broker acts as principal because the securities are bought at a price which is different from that at which he sells.

An investor should regard the stockbroker as an individual who provides valuable service and information to assist in making the correct investment decision. They are adequately qualified to provide answers to a number of questions that the investor might need answers to and to assist in participating in the regional market.

Remember that you don't have to accept the first stock broker or brokerage firm you run into, and actually it is advised that you visit with a few different firms or brokers in order to get a feel for different styles of brokerage.

One of the most important factors in finding a good stock broker is determining whether or not your personalities fit well together. Just as you often use first impressions to determine whether you will be friends with someone or you will hire them as a real estate agent, you should use the same gauge for finding a good broker.

Keep in mind your gut instincts about the person. Do they seem to be listening to your desires for investment or are they running off on tangents about what they think are the best investment for you? Also make sure you find someone that is genuinely interested in answering your questions and isn't blowing you off, no matter how minute the questions are. In general, it is helpful if you simply feel comfortable with the broker during an interview and if not, it is best to move on to someone else.

Remember that just because a friend or family member likes their stock broker, doesn't mean that you will agree, so don't feel bad if you have been referred to someone and you just don't mesh well with them. After all, you are considering a major investment here

Besides assuring that your personalities mingle well and that a stock broker has your best interests at heart, it is extremely important that you discuss pay rates with your stock broker. While almost all stock brokers are working on a fixed percentage of commission for your accounts, as your accounts go up, often times so does their commission. It is important to know just how much their percentage of commission goes up as your accounts begin to expand.

There are also extra fees involved for stock brokers from major corporations or from their own stock brokerage company if they steer clients towards particular stocks and shares.

In as much as a stockbroker displays the characteristics mentioned above, there are other criteria for rating credible stockbroker that will give you the right expectations for business success. The ability of your stockbroker to execute the buy and sell mandate sells him high. The stockbroker who can give credit facilities to clients with online and technology mandate is adjudged good broker.

A good stockbroker must be able to display good customer services without discrimination and must have adequate information and guidance over the stocks to buy or sell. He must be able to buy at the possible low price for the day and sell at the possible high price of the day. A good and sound stockbroker is one

who will surely meet the N1 billion capital requirement on or before December 31, 2008 and the account officer must give you have good relationship without discrimination of any form.

However, some stockbrokers, because of low level of knowledge of most investors, capitalize on their ignorance to exhibit some irrational attitudes against their clients. They open their mouth; give some pieces of advice without really knowing the full consequences. Because they don't know these consequences, they commit some unpardonable howler. Some of the mistakes peculiar to stockbrokers include;

### **Unsuitable recommendation**

Most stockbrokers are guilty of wrong recommendations preferably to suit their personal business interest. Your stockbroker must be able to make good recommendations that are suitable for your particular circumstances. It is always nice for stockbrokers to study stock movements, check their precursor to be able to forecast its future otherwise, the stockbroker will run into ditch he may not explain.

### **Churning**

Your stockbroker who wants you to grow business wise cannot ask you to offload massively when he is not certain where the movement of the stock is headed.

He also cannot trade your account excessively or recommend that you do more when doing so is not favourable. Any stockbroker that does that wants to ruin your business and has not got your interest to protect. Although some do that because they want to buy it off or out of ignorance.

### **Unauthorized Trading**

You've picked a broker, done your stock research, and you are ready to place an order. How do you do it? What types of orders can you place? In general, and in keeping with our overall long-term buy-and-hold philosophy, there are only two terms you need to know: "buy" and "sell." Sound simple enough? It is, and it really need not be any more complex than that. You buy a stock because you think it has a great long-term prospect, and you only sell it when you either need the money or feel that there's a better place to put that money.

Whether buying or selling, if you did not authorize it, your stockbroker cannot do it. Any stockbroker that buys when not authorized does so illegally and mischievously too. Every sell or buy of any stock belonging to stockbroker's client must be through the client's mandate. Some stockbrokers are fund of trading with investors' money with intension to buy the stock before the investor detects. At times, their actions ram when the investor needed to buy. Investors should in this way shine their eyes to avoid double dealings with stockbrokers. The golden rule should be for stockbrokers to buy when there is order for buy and sell when there is order to sell otherwise it is fraud.

### **Failing to trade**

This refusing to trade when instructed to do so is seen by investors as calculated attempt to deny them returns that would have accrued to them. At times, some stockbrokers fail to sell due to forgetfulness, while others do so due to some other reasons. For whatever reasons, a stockbroker ought to sell when instructed to sell except there is no market for the stock. The times are running with technology as the assessment of the services of Central Securities Clearing System (CSCS) has brought about online trading.

One of the investors who chose to be unanimous said that online trading has exploded over the past year as investors are becoming more self-sufficient and comfortably uses their computers for investing. "The feat is great for all the technically inclined folks, but is it right for you? It's wonderful to be able to access your account information at a moment's notice and to place trades 24 hours a day. We like the idea of using an online brokerage account, but we also realize that some people prefer to deal with a real person when they are placing trades. Many discount brokers offer both options and, in general, the price of transacting a trade with a real live human being will be somewhat higher than if you conduct it on the Internet," he said.

When shopping around for an online discount broker, you should ask plenty of questions about its customer service department. Sure, online brokerage accounts are becoming easier to use and are providing more and more information, but you need to know how you can access your account information if you can't get online for some reason and need to make a transaction. Will a "live" broker be accessible to you if you need to place an order? What if you need a copy of your latest monthly statements for the IRS and the web site is down?

If you're comfortable with your computer and you don't really need to hear that voice on the other end of the phone, we recommend that you go with a discount broker and trade online. If you need to hear a voice, the solution is simple: Choose a discount broker that offers trading over the telephone.