

State at 1-800-688-4507. The Division can verify whether the firm and broker are licensed to do business in the state or have been disciplined by any regulatory agency.

IF YOU HAVE A PROBLEM

Most dealings between customers and brokerages are straightforward and trouble free. Sometimes, problems arise. Excessive trading in your account, called "churning," unauthorized trading, unsuitable recommendations, or failure to execute trades or deliver securities are examples of some of the problems you might encounter.

If your broker confirms stock trades that you don't recall approving, contact your broker right away. Erroneous trades usually can be straightened out if they are caught in time. However, if you wait until the mistakenly purchased stock performs poorly, your delay can be used as evidence you agreed to the trade. Read and understand the monthly or quarterly account statements you receive from the brokerage.

Be sure nothing occurs in your account without your permission. If you don't understand something, or if it's inconsistent with your intentions, contact your broker or the brokerage's office manager immediately. Failing there, you should notify the Securities Division. Meanwhile, send a letter detailing your problem to the brokerage's chief compliance officer. (For more information, see our brochure entitled *Resolving Problems With Securities Firms*.)

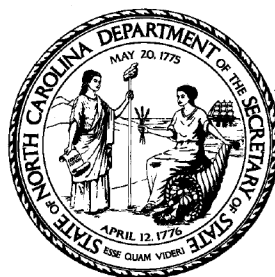
Don't think you can become a victim of fraud?

Every week there are new reports of victims being cheated out of their money. To read some of these stories, visit our web site at:

<http://www.secretary.state.nc.us/sec/nasaa.aspx>.

North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall
Secretary of State



*For more information,
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NORTH CAROLINA DEPARTMENT OF THE SECRETARY OF STATE SECURITIES DIVISION

CHOOSING A STOCKBROKER



Millions of Americans from all walks of life own shares in America's public companies. Still, investing in the stock market is a complex business. Frequently, a good stockbroker or other financial specialist is an essential element of success.

YOUR GOALS

Is your primary interest long-term growth, steady income, tax savings, quick profits or some combination of each? Your financial situation is your best guide to choosing an investment.

Various books and financial publications available in the business section of your public library may help you develop an investment strategy. Also, many schools offer low-cost courses on the basics of personal investing.

Be realistic. Remember that no investment is risk-free. As a rule, the greater the potential return, the greater the risk. Some questions to ask yourself include:

- Do I have sufficient cash reserves in a safe place — such as a federally insured savings account — and can they be reached easily in an emergency?
- Do I have adequate life insurance?
- Can I afford to lose the money I plan to invest? Even if you have substantial assets, that doesn't mean every investment is appropriate for you. Only invest in securities you understand, and only if the risk is within your comfort range.

CHOOSING YOUR BROKER

When choosing a broker, consider whether you want a full-service or a discount broker. Discount brokers generally are paid a straight salary and typically charge lower commissions than their full-service counterparts. Full-service brokers receive commissions based on the number and size of transactions in your account. Generally, only full-service brokers

recommend specific stocks or investment strategies.

Selecting a broker is highly personal. While you might seek recommendations from friends or trusted professionals, remember that someone else's broker might not be suitable for you, given differing financial situations, needs and philosophies. Be wary of unsolicited investment advice. (For more information, see our brochure entitled *Affinity Fraud*).

When you first visit a brokerage, the office manager may be able to steer you to a broker who's particularly knowledgeable in your areas of interest. When you meet with a broker, treat it as an interview. Don't be intimidated. Ask questions and listen to the answers. No question is dumb or silly when it comes to understanding how your money is invested.

You may be asked questions about your financial situation and investment experience. Don't mistake the line of questioning for an intrusion on your privacy. Brokers have a responsibility to "know their clients" and must use "due diligence" when opening new accounts.

The broker also has a duty to recommend only those investments suitable for you based on your financial goals, your other securities holdings, and your financial situation. You should notify your broker whenever your investment goals or financial situation changes. (For more information, see our brochure entitled *Unsuitable Investments*.)

Take your time selecting a broker. It is important to establish a relationship of mutual trust, respect and understanding. Don't hesitate to ask a question or to say "no" to a recommendation that doesn't fit your investment strategy.

OTHER TIPS

- When interviewing a broker, request documentation describing the investment options/services offered by the firm, its specific recommendations over the past year, and commission rates. (Active investors may be able to negotiate lower-than-standard rates.)



- When a broker recommends a security, it should be based on sound reasoning rather than a hunch or a tip.
- The kind and amount of service depends on the rules that you and the broker establish when you open your account. The frequency with which your broker calls should be consistent with the size and nature of your portfolio.
- Make sure that the firm's products, services, recommendations and commissions are compatible with your goals and that the broker you choose helps you reach those goals.
- Find out whether the brokerage is a member of any national stock exchanges, the NASD or the Securities Investors Protection Corporation (SIPC). SIPC insures the cash and securities of its members' customers in case a member brokerage falls into bankruptcy. **SIPC provides no protection against fraud, provides no guarantee of investment return, and should not be confused with the Federal Deposit Insurance Corporation (FDIC).** (To read more, please visit www.sipc.org.)
- Before you deal with any broker's office, consider contacting the Securities Division of the NC Department of the Secretary of