NASD

How to Avoid Problems With Your Broker

The following steps may help you avoid future problems:

1. Thoroughly read and retain your monthly account statements, confirmations, and any other information you receive about your investment transactions.
2. Immediately question any transaction or entry that you do not understand or did not authorize with your broker. If you are not satisfied with your broker's response, consult with the firm's branch manager or compliance department.
3. To allege improper business conduct or to make monetary claims, you should complain promptly in writing to the management of your brokerage firm's sales office, and then directly to the firm's compliance department. Retain a copy of your letter and of all other related correspondence with the broker/dealer. If the problem cannot be resolved through the firm, other alternatives, such as mediation or arbitration, may be appropriate. A delay in pursuing your complaint for whatever reason may lessen its credibility.
4. Follow up if you do not receive a satisfactory response to your complaint. Failure to receive a satisfactory response may warrant your filing a written complaint with NASD or another SRO.
5. Beware of sales pitches that make exaggerated claims about the expected profitability of a particular investment, or make specific price predictions, such as, "your money will double in six months," especially if dealing with a broker who is new to you. If it sounds too good to be true, it usually is.
6. Beware of any broker who pressures you to invest quickly to avoid missing out on a "once in a lifetime opportunity." Investment decisions should be made only after deliberation and thought, and with the benefit of all the relevant facts--take the time to learn them. Be suspicious of any broker who uses high-pressure sales tactics.
7. Never send money to a firm or broker that you are hearing from for the first time simply based on a telephone sales pitch.
8. When investing for income and yield, whether in stocks, bonds, mutual funds, etc., make certain that you understand fully the nature of the security in which you are investing - there normally are varying market and price risks associated with each type of security.
9. Investing in lower-priced, so-called "penny stocks" is inherently risky and should be done only after a thorough investigation is made of the company and of the market for its shares. Generally, you should not engage in such speculation unless prepared to accept the risk of losing your entire investment.
10. Investing your money is a major decision, similar to the purchase of a house or an automobile. Investigate thoroughly any potential investment before you make it, as well as the broker and securities firm that are recommending it to you. To do so, you should:
    - Request a prospectus, annual report, and/or research information, and read them carefully. Discuss the potential risks, rewards, and consequences with your broker, certified public accountant, or independent adviser before taking any action.
    - Contact NASD BrokerCheck's toll-free number at (800) 289-9999, or visit NASD BrokerCheck, to learn whether the broker has been the subject of consumer-initiated pending arbitrations and civil proceedings involving investment activity; written customer complaints alleging sales practice violations and compensatory damages of $5,000 or more which were filed in

the last 24 months; settlements of $10,000 or more of arbitrations, civil suits, and customer complaints involving investment-related activity; consumer-initiated arbitrations or civil proceedings that involved an award, regardless of the amount, to the customer; and written customer complaints alleging forgery, theft, misappropriation, or conversion of bonds or securities that were filed in the last 24 months.

- Become better informed about investing by attending classes, seminars, or checking the business reference section of your public library.

- For further information, you may also want to review:
  - Purchasing on Margin
  - Electronic Investing

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