

Panic, What Panic?

The notion that wealthy investors are ‘fleeing’ the equity markets is misguided, according to PriceMetrix, the only firm that tracks clean, bottom up, longitudinal, cross-firm data on retail advisory clients. In fact, despite an increase in market volatility, August 2011, the month that S & P downgraded the credit rating of the United States, was the most active month for millionaire equity trading in the last two and a half years.

Retail investors with over a million dollars invested with at least one financial advisor represent 9% of retail households with full service brokerage accounts. Despite their small representation, they wield significant influence, accounting for 1 in 3 retail equity trades, and 51% of total retail equity principal traded.

August 2011 was a busy month for large retail investors and their advisors. The average million dollar client executed more than 5 equity trades (well above the 2011 monthly average of 3.5), representing total principal traded of \$84,000 and these clients did more buying than they did selling.

	January – July 2011	August 2011
Average Number of Equity Trades per Millionaire Investor	3.5	5.1
Average Total Principal traded	\$63,000	\$84,000
Percent of Trades that were Buys	54%	55%

Millionaire investors traded more principal in August 2011 than in any month since October 2008, when they traded on average \$101,000.

Average Principal Traded by Millionaire Investors



What were the most purchased stocks for millionaires in August?

- 1) **Apple** NASDAQ:AAPL
- 2) **Bank of America** NYSE:BAC, and
- 3) **CenturyLink** NYSE:CTL

Of the trades made by millionaire investors, 74% were executed in fee-based accounts, representing 47% of the total principal traded by those investors.

Sadly, while trading activity increased by almost 50%, the same cannot be said for pricing. The average trade principal in a transactional account was \$34,000 in August (equal to the 2011 average), while the average commission dropped to \$233, off 15% from the 2011 average of \$276. This discounting is likely a result of an increase in 'sympathy pricing', the tendency for advisors to discount their services in poor markets.

To read more about sympathy pricing, and the effect it can have on your business, view the latest edition of *Insights on Equity Commission Pricing Myths and Realities* on: www.pricemetrix.com/Insights

The facts above show that increased market volatility in August 2011 did not slow down retail trading activity. Indeed, quite the opposite. Investors who work with full service investment advisors are not demonstrating widespread panic. They haven't left the markets. They increased their investments in the markets.

Volatile months like August 2011 represent an excellent opportunity for advisors to reach out to their clients, communicate, re-evaluate their portfolios and look for new opportunities. We believe that volatile markets are the perfect opportunity to remind your clients why they've chosen to work with a professional advisor.

Realize Your **Value**

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