



# TRENDING TODAY

Bi-weekly  
eNewsletter

10.25.2019

Author: Joseph Eschleman, CIMA® President

# \$0.00 COMMISSIONS



TOWERPOINT  
  
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## ATTRITION OF THE COMMISSION

In a matter of a few days, the brokerage industry went from charging customers for making trades to giving them away like tchotchkies at a trade show.



The app-based brokerage firm Robinhood was "a pioneer" of free trading when it launched to the public in 2014, but things have significantly changed within the past month, and they are no longer alone. Major shockwaves reverberated throughout the brokerage industry as five of the most well-known online brokers also jumped on the zero-commission bandwagon: Interactive Brokers (announced 9/26), Charles Schwab and T.D. Ameritrade (both announced 10/1), E-Trade (10/2), and Fidelity (10/10).

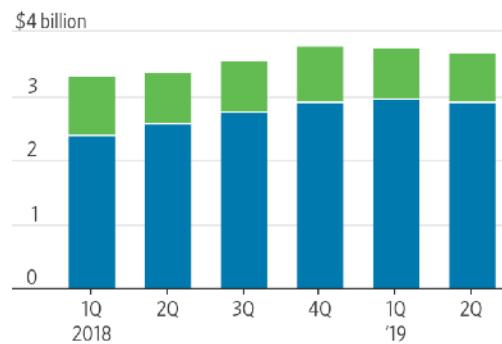
**However**, we all should recognize that on Wall Street, there is oftentimes more to the story than meets the eye, and if revenue disappears in one area, it tends to show up somewhere else. While trading may now be "democratized" as commission-free transactions become the norm, 'free' does not always mean 'free' - especially on Wall Street. Remembering that brokerage firms are for-profit businesses, and aside from trading commissions, which appear now have gone the way of the dodo, revenue is still being generated in a variety of other ways, including:

1. Rebates collected for directing client orders, or the payment for order flow, which can be used by other market participants to arbitrage activity around short-term trade
2. Clients leverage their accounts and borrow money (paying interest to do so) to trade on margin
3. Most importantly and most profitably for brokerages, interest income they earn on uninvested cash held in client accounts:

### Primary Interest

Charles Schwab, TD Ameritrade, and E-Trade as a group make far more by lending and investing than from trading fees.

- Interest-based net revenue
- Transaction revenue

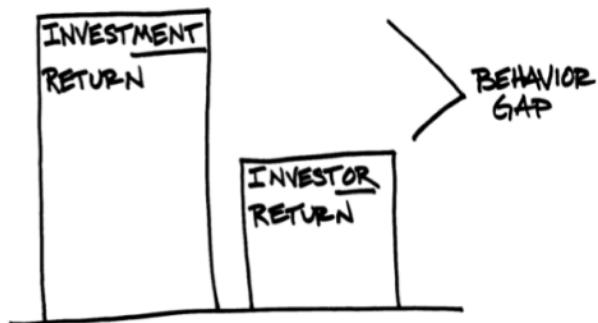


Note: Calender quarters  
Source: Company filings



At Towerpoint Wealth, we believe that none of these *less-transparent* revenue streams are as potentially problematic for investors as the possibility of bad investor behavior that free trading can elicit.

Commission-free short-term trading based on investor overconfidence is not a successful recipe for longer-term net worth protection and growth, and creates a much higher likelihood that the "behavior gap" occurs - the difference between investment return and investor return:



Put differently, as only the venerable Warren Buffett can put it:



We believe that according the name 'investors' to institutions that trade actively is like calling someone who repeatedly engages in one-night stands a 'romantic.'

— Warren Buffett —

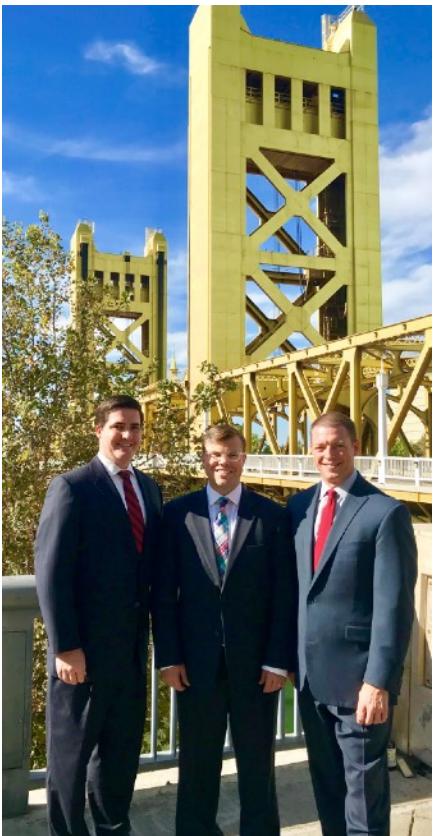


## NEW ADDITIONS TO THE TOWERPOINT WEALTH FAMILY

\*Welcome aboard, James!\*

We are extremely pleased to announce the hiring of our new Director of Client

Experience, James H. Keefe. James brings more than seven years of wealth management experience to the Towerpoint Wealth family, is a graduate of Providence College, and prior to entering the world of finance spent three years teaching and coaching at St. Sebastian's School in Needham, MA.



Click [HERE](#) to read more about James and his new role at TPW, and be sure to ask him about being the middle child in a family of eleven!



\*It's a Boy\*

A HUGE congratulations to our Director of Research and Analytics, Nathan Billigmeier, and his beautiful wife, Jessica Billigmeier!!!

**Grayson Brady Billigmeier** was born October 9, weighing in at 7lbs, 8oz, and both Mom and Dad couldn't be happier and, neither could big brother Ethan!



## TPW CLIENT UPDATE

### Saving Money with New Zero Commission Policy

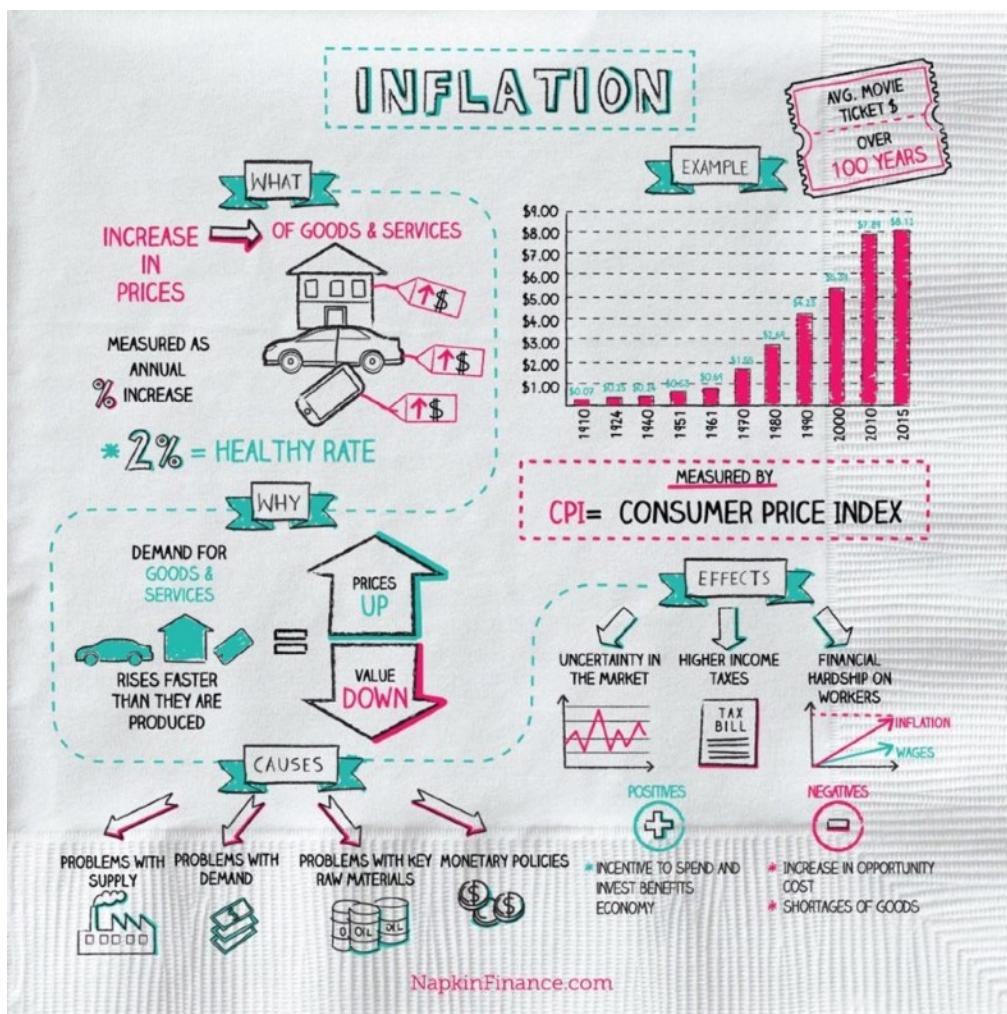


As discussed above, our custodian, Charles Schwab, recently transitioned to a commission-free policy for all online equity, exchanged-traded fund, and option trades. Previously, clients of Towerpoint Wealth paid \$4.95 per transaction.



While these small commissions were never part of our professional compensation at Towerpoint Wealth, they instead were simply a cost of our decision to partner with "Chuck" to custody our clients' accounts and investments. **Cost Consciousness** will always be one of our six Core Investment Principles, and we are excited that Schwab has eliminated this small but pesky layer of expense for the benefit of our clients.

## NAPKIN FINANCE: INFLATION



Credit to *Napkin Finance*. Click [HERE](#) for inflation details.



## TRENDING TODAY

In addition to our Towerpoint Wealth family expansion and the industry-wide rethinking of commissions, a number of trending and notable events occurred over the past two weeks:

- U.S. astronauts embark on the first all-female spacewalk
- President Trump abandons plan to host 2020 G7 meeting at his Florida golf resort
- Chicago's big teachers' strike heads into another week, with no end in sight
- Canadian Prime Minister Justin Trudeau wins reelection, loses seats in Parliament
- The Washington Nationals jump out to a surprising 2-0 lead in the 2019 MLB World Series
- Facebook discloses operations by Russia and Iran to meddle in the U.S. 2020 presidential elections
- Wildfires threaten California, again

As always, we encourage you to reach out to us ([info@towerpointwealth.com](mailto:info@towerpointwealth.com)) with any questions, concerns, or needs you may have. The world continues to be an extremely complicated place. We are here for you, and look forward to connecting with, helping, and being a direct, fully independent, and objective expert financial resource for you.

- Joseph, Jonathan, and the entire Towerpoint Wealth team





## TOWERPOINT WEALTH IN THE NEWS



MY MODEL PORTFOLIO

### JOSEPH ESCHLEMAN

PRESIDENT • TOWERPOINT WEALTH

This Sacramento-based RIA explains why focusing on controllable factors and blocking out the noise is key to profiting from market fluctuations



#### WHAT IS YOUR OVERALL INVESTMENT PHILOSOPHY?

Our investment philosophy focuses on developing a strategic asset allocation, and then constructing a customized diversified portfolio for clients, using set of large portfolios as a template. In most situations, our investment portfolio specific recommendations are centered on a low-cost index, institutional mutual funds and various ETFs. When we believe active management is likely to outperform, we select managers of institutional quality.

We do not believe that any form of speculation, such as market timing or trying to 'beat' the market, works over the long haul. And while we are certainly sensitive to and acutely aware of the movement of the financial markets, we will not rashly react to the daily, weekly or monthly gyrations of the stock market. To quote Warren Buffett: 'Look at market fluctuations as your friend either than your enemy; profit from folly rather than participate in it.' Most importantly, we channel our energy towards what we can control (risk, taxes, expenses), rather than what we cannot (politics, markets, economic changes).

When screening funds, we first identify investments that are consistent with our core investment principles. We then do a deep dive into each of them, reviewing the expenses, peer-to-peer performance, risk attributes, tax efficiency, manager tenure and style consistency. After that, we compare vetted investments within the same asset categories and select optimal investments in each one. We then discuss our selections, and the alternatives, during our investment committee meetings. Pending the committee's agreement, we integrate the funds into our models, monitoring them to ensure continued alignment with our investment philosophy.

#### WHAT MODELS DO YOU OFFER CLIENTS?

We offer five core investment models, ranging from a conservative 10% allocation to equities, to an aggressive 70% allocation to equities. We also utilize two ESG portfolios – one that we consider



moderately conservative and one that is moderately aggressive. We also utilize two ESG portfolios – one that we consider moderately conservative and one that is moderately aggressive.

#### HOW DO YOU VIEW MANAGER SELECTION?

We view risk mitigation as a key driver to long-term wealth accumulation within our model portfolios. Given this philosophy, we look for managers who have demonstrated a keen ability to generate consistent returns while managing volatility over an extended time period.

We are not afraid of an active manager thinking outside of the box to generate alpha, as long as any excess risk being taken remains within our specified tolerance levels. Within the Towerpoint Wealth model portfolios, we do not have a particular bias to active versus passive management. Instead, we utilize actively managed strategies where we feel active managers have a higher probability of outperforming (currently within most of the fixed income and alternative sleeves of our allocations), and passive strategies where we believe active management is less likely to generate alpha (currently all equity-based asset classes).

#### WHAT TYPES OF CLIENTS DO YOU WORK WITH?

We work with individual investors, high-net-worth investors, corporations and private fiduciaries. We have also developed

**WE ARE NOT AFRAID OF AN ACTIVE MANAGER THINKING OUTSIDE OF THE BOX TO GENERATE ALPHA**

[CityWire RIA Profiles](#)

[Towerpoint Wealth - 9.30.2019](#)

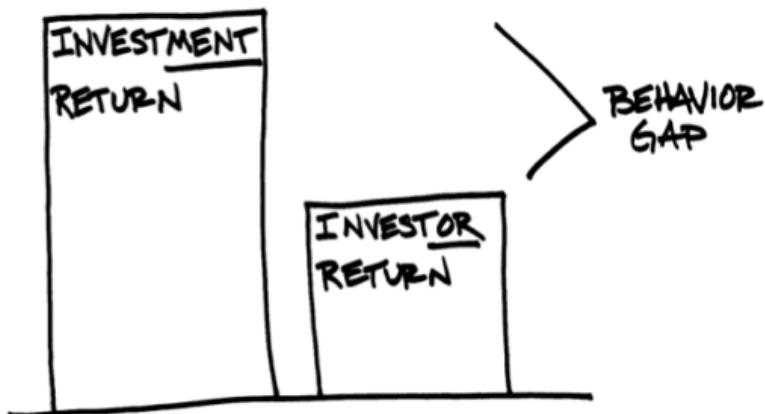
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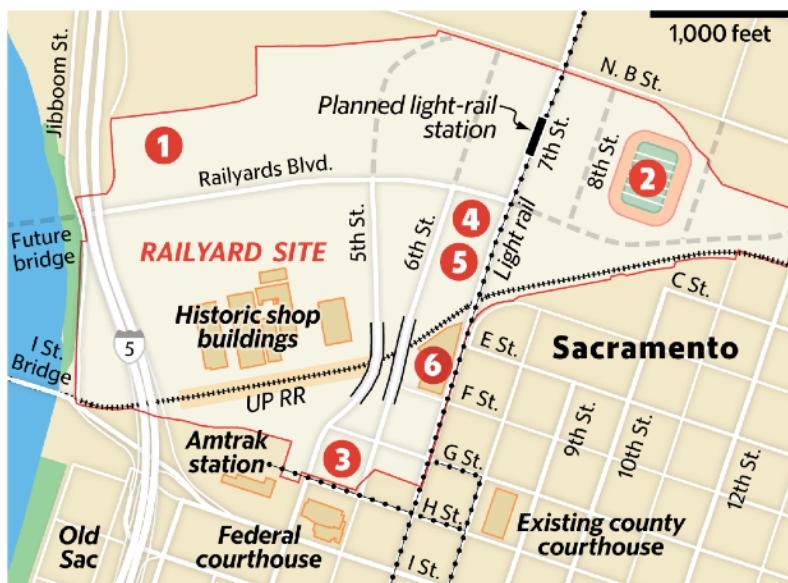
## TOWERPOINT WEALTH FAVORITE ARTICLES



### The Behavior Gap

What investors "really get" from their investments is not the officially listed returns on a financial website or a mutual fund prospectus. Instead, what investors actually earn reflects ...

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### Sacramento's Downtown Could DOUBLE in Size - Here's Why

For a quarter century now, Sacramento leaders have pushed to make the shuttered downtown railyard something more than an oily and empty ghost of Sacramento's railroad past and at times wo...

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## 'Scariest' Haunted House Will Pay \$20K to Escape!

Halloween is creeping up quickly, and haunted houses nationwide are setting the bar high. One Tennessee-based haunted house bets you won't make it out without tapping out. Guests who esca...

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## **TOWERPOINT WEALTH FAVORITE APPS**



### Smartify - Scan and Discover Art

Smartify is a smarter way to take a museum audio tour - or to learn about magnificent art from the comfort of your home. With the help of the camera on your phone or tablet, the app reco...

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