

Taking Stock: Broker did the right thing by ignoring client

by Malcolm_Berko

Dear Mr. Berko: I have 17 preferred stocks in my account worth \$114,000. Those stocks earn me \$6,500 in interest. This money and my modest pension and my Social Security take care of all my living costs. I also teach bridge classes, which is where I met my broker four years ago; who used to be a nice man. I gave him all my preferred stocks and his firm's bookkeeping makes my record-keeping and taxes very simple. And once a year, I buy 50 to 100 shares of a new preferred stock with the money I save from teaching bridge classes. Now I want to sue my broker because he wouldn't let me buy a stock last August called Cytogen that doubled in price two months later. One of my bridge students told me to buy Cytogen because her son, who is a doctor, bought 20,000 share at \$1.50 and she bought 5,000 shares at \$1.50, too, because it's a stock that has cancer tests. So I called my broker and told him that I wanted to buy 2,000 shares, which would cost me \$3,000 and his commission cost. He adamantly told me not to buy the stock and talked me out of it. He tried to research the stock but couldn't find any good information. I insisted that he buy the stock but he said if I wanted 2,000 shares, to buy it from another brokerage. I really got mad at him for that. He said it was very risky and not a good company for me to invest in. When I found out several months ago that Cytogen went from \$1.50 in August to \$3.30 in November and I could have made \$3,000, I was angry and hurt. I'm really mad at him because I could have used the \$3,000 profit to completely pay off my Visa and now I can't. I want to sue this man but a lawyer told me the money was too small for him but that I would win in court if I sued the broker myself. Please tell me how can I sue this broker myself to get the \$3,000 in profit that I lost. And should I move my account from his firm?

S.S.

Moline, Ill.

Dear S.S.: Your source was right as a rainbow. Cytogen Corp. (CYTO), which is now \$2.16 a share, more than doubled between August and November of 2006. CYTO makes oncology products, but it's certainly not a stock that should be bought by widows, orphans or even orphans of widows.

But there's no denying that fact that you could have bought CYTO at its yearly low price of \$1.50. And there's no denying the fact that you could have sold CYTO at its yearly high price of \$3.30. And there's no denying the fact that had you bought CYTO at the bottom and then sold at the top that you would have a \$3,000 profit. But there's no denying the fact that a 2,000-share purchase of CYTO is a patently and indubitably unsuitable investment for a lady who lives on a limited, fixed income.

Your broker is a class act and in his capacity as a financial advisor gave you the same advice as would every wise, caring and professional adviser. Your broker is employed by one of the largest firms on Wall Street and I'm stone ginger certain that his legal/compliance department in New York would agree with his decision. I know you'd like to believe what that lawyer told you, but you must believe me when I tell you that attorney's a scumbag and is wrong as sin. In fact, he'd probably make a superb congressman.

Now for your information, I'd like to ask you six questions:

1. Can you afford to lose \$3,000?
2. How would you feel if you bought 2,000 shares of CYTO at \$1.50 and it fell to 50 cents?
3. Do you really believe in your heart of hearts that CYTO is a suitable investment for a retired lady on a limited, fixed income?
4. Your information source comes to you via a lady who got it from her son who probably got it from a friend who may have heard it from a Russian spy. Do you have any way of "confirming" the validity of the information?
5. If the value of CYTO collapsed, would you have been angry with your broker? Would you have sued him to recover your loss? If you did, I believe his firm would compensate you for every penny then can him for letting you make such an indisputably unsuitable investment.
6. If your broker wouldn't buy CYTO, why didn't you go to one of the "schlock" brokers in your area to purchase 2,000 shares?

During the past four years this man has helped you own a portfolio of suitable preferred issues and probably hasn't earned a dime because the commissions on 100-share purchases are so meager. He's treated you like a queen while a broker not as highly principled would certainly have compromised the integrity of your account.

Get over your angst and recognize how lucky you are to have a classy professional who places your interest first. If you decide to sue him, write the New York Stock Exchange for the proper documents and instructions, but don't ever write me again.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@adelphia.net.

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