

# BANK INVESTMENT PROGRAM HIRING AND COMPENSATION REPORT

## ODDS ARE...

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It's a coin toss.

I think you have to at least like math a little bit to be in this business. Yes, selling skills, relationship building and communications are very important, but I believe every FA and Manager needs to be comfortable with numbers. Most of us don't need to know calculus or fractals (whatever they are), but we do need to know enough to understand p&l's, earnings reports, pe's and basic economics. And while we may not need to have our HP 12Cs in our briefcases any more (yes, I'm dating myself), there's still lots of quick calculations, estimating, and basic math we need to do every single day.

Which brings me to probabilities. This time of year, everyone and their brother is making all kinds of predictions. Who will be the Republican candidate? Who will win the presidential election? Will the Euro zone crumble? Will the US housing crisis ever end? There's no shortage of self-proclaimed experts giving opinions and making predictions (and don't forget to check Intrade.com for Wall Street's odds).

But those of us who are familiar with odds and probabilities know that sometimes making good predictions goes beyond just following your instincts and common sense. Take birthdays for example. Since there are 365 days in a year, (366 days this year) you'd think you'd need lots of people in a room to have 2 with the same birthday (365/2). Fact is, you only need 23 people to have a 50-50 chance that 2 will have the same birthday. And what about coin tosses? 50-50 right. Yes, but in fact, if you toss a coin 200 times the probability of not having at least one streak of 6 or more of all heads or all tails is only about 3.5%. In other words, despite your instincts, it's very likely you'll have 6 heads or 6 tails in a row. That's counterintuitive.

And perhaps the most interesting numbers fact I've come across is "Benford's Law", discovered by Dr. Frank Benford in 1938. He found that no matter what series of numbers you're dealing with—street address, social security numbers, commissions or estimates of stars in galaxies—many more of the numbers will start with a 1 than a 9. Given a string of at least four numbers sampled from one or more of these sets of numbers, the chance that the first digit will be 1 is not one in nine, but according to Benford's Law, it is 30.1%, or nearly one in three. The chance that the first number in the string will be 2 is only 17.6% and the probabilities that successive numbers will be the first digit decline smoothly up to 9, which has only a 4.6% chance. (by the way, the IRS uses Benford's law to look for tax cheats. Too many 8s and 9s on a return?)

Which brings me back to probabilities. No one can predict the future. But we can make educated guesses based on our knowledge and experience. And after all, isn't that what we are all getting paid for? So ignore the predictions and damn the probabilities! Just make 2012 a great year.

### BREAKING NEWS AND DEVELOPMENTS:

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Backs Off Social  
Media Reporting**  
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Account Minimums**  
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