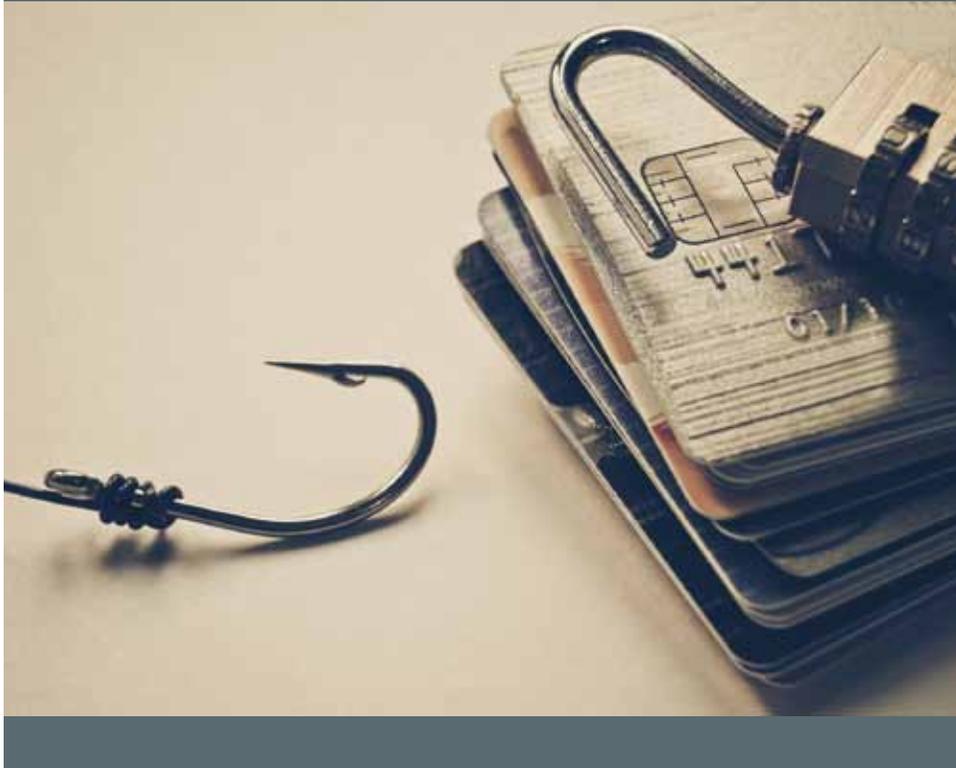


Consumer Focus

Finding the Right Financial Advice



"Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway." – Warren Buffett

Lustig, a Czechoslovakian, would book passage on ocean liners sailing between Paris and New York City and run his "money printing machine" scam. Fluent in both English and French, he would allow others to observe him working the machine, but complaining about it. It seems that the darn thing printed perfect \$100 bills, but it took way too long — around six hours to print one bill. Sensing huge profits, some rich fool would buy the machine from him, usually for amounts of \$30,000 or more. The machine would print \$100 bills for the next day or so, until the cruise ended. Then, with Lustig long gone, it would produce only blank paper. The \$100 bills Lustig's machine had dispensed earlier were real \$100 bills,

and the machine had been set to run out of them once Lustig disappeared.

Lustig's biggest con, the one involving the Eiffel Tower, took place in 1925. It was in the newspapers that year that Paris was having problems maintaining all the steel on the Eiffel Tower. Lustig took this opportunity to begin impersonating an official of the Paris government seeking bids from scrap metal dealers. Alas, the grand tower would have to be dismantled and sold to the highest bidder. He had his marks come, one at a time, to bid on the tower and, of course, produce a large cash deposit. By the time the defrauded businessmen figured out what had happened, the slick-talking

Lustig was nowhere to be found, and the joke was on them.

While Lustig takes the top spot for cunning and cleverness, Madoff tops them all when it comes to volume. His Ponzi scheme was responsible for bilking \$50 billion from trusting clients who had enjoyed their sweet returns too much to ask questions... until it was too late. Fortunately for us, the types of fraud that Madoff pulled off, as infamous as they may be, are actually quite rare. The vast majority of agencies, firms and advisors are honest, ethical and very few investors will ever experience any type of fraud in their lifetime. That having been said, however, I still urge those of you reading this to use caution when it comes to money matters, and keep an eye on your assets, regardless of where they are invested. It just makes good sense to do so.

Preventing Fraud

These are several simple steps we can take that will protect us from financial fraud. Many of them are so simple that you may do a double take. But it will make you a better steward of your financial affairs.

Open your statements and look at them. You would be amazed at the number of people I encounter who tell me they don't like opening their account statements. This is especially true during times of market volatility when statements from brokerage houses and account custodians may contain bad news.

"I'm afraid to open them," said one woman, who said she just puts them in order of postmark with a rubber band around them and opens the one she gets at the end of the year.

How are you going to know if there has been any unwarranted activity in your accounts if you don't look at them?

Review your statements. After opening your statements, review them promptly. Look at the balance first. If it is lower, seek to understand why it is lower. If you don't understand your statement, call the bank, custodian, or brokerage firm, and ask questions until you do understand. Keep a file on each account and organize your statements by month, and then keep a separate hanging folder for each year.

Look for unexplained checks or bank transfers, unauthorized debits or credit card purchases you don't think you made. We sometimes give access to our accounts without knowing it.

If you use a computer, get online access and compare your paper statement with what you see online. It is not unheard of for those handling accounts to create fake paper statements to cover up fraud. Comparing the online statements with the paper statements is an easy way to detect this.

Call and verify. If all does not seem well with your account, call the custodian, bank, insurance company or brokerage firm from which your statements originate, and ask them to verify the balance and explain any discrepancy to your satisfaction. Even if there is no problem, it is a good idea to do this once a year.

If you don't understand your investments, get a second opinion. Ask questions until you understand.

If it sounds too good to be true it probably is. If you are promised returns that no one else seems to be getting on their investments that is a huge red flag. Get a second opinion from other professionals, such as CPAs, attorneys, or a knowledgeable family member or family friend as a sounding board. If you are not comfortable with the explanation you are receiving, contact a knowledgeable, trusted professional for assistance.

Never make checks payable to an individual. Unless you are paying a handyman for household repairs, or the people who mow the lawn for you, never make checks payable, or give large sums of cash to an individual. If a business transaction is legitimate, the check will always be made to a company, custodian, brokerage firm, insurance company or bank, not an advisor or an advisory firm. The exception to this is when the advice is understood to be offered in exchange for a fee and that understanding is made up front. ☐

Credit Card Fraud is on the rise.

Here are some practical **DOs and DON'Ts**:

Do:

- ✓ Open your bill and look at it. Report any unauthorized charges right away, both by telephone and by email or letter.
- ✓ Keep copies of all correspondence regarding disputed charges until the matter is resolved.
- ✓ When you are at a cash register using your card, don't let the card out of your sight, and get it back as quickly as possible.
- ✓ Save all receipts. Compare them with what's on the monthly statement.
- ✓ Sign the back of your cards, and put your picture on them if that service is available.
- ✓ Keep a record of your account numbers, their expiration dates, and the phone number and address of each company in a secure place.
- ✓ Destroy all carbons immediately.
- ✓ Draw a line through any blank spaces above the total. Don't draw a zero, which could easily be altered.

Don't

- ✓ Leave credit cards lying around. Either activate them, or cut them up.
- ✓ Lend your card to anyone.
- ✓ Ever sign a blank receipt. It's like signing a blank check.
- ✓ Give out your account number over the phone unless you're doing business with a company you're sure of.
- ✓ Write your account number on the outside of an envelope.



Peter J. "Coach Pete" D'Arruda, CTC, RFC®

Peter J. "Coach Pete" D'Arruda, RFC®, CTC, is a Financial and Tax Coach. He is host of the nationally syndicated weekly radio show, **The Financial Safari**, as well as the author of four books, including "Fine Print Fiasco", "Financial Safari, 7 Financial Baby Steps" and "Have you been talking to Financial Aliens?" Themes of these easy readers include helping others avoid being taken advantage of and translating financial jargon for any layperson.

Contact: 919.657.4201
pete@capitalfinancialusa.com
www.capitalfinancialusa.com

Consumer Focus articles are available to IARFC members. You may view and reprint Consumer Focus articles at: iarfc.org/consumer_articles.asp