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Madoff Comments

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Because last issue was so long and probably put enough of you to sleep, I hit the send button before making the comments I wanted to in the Madoff & Co. fiasco. First, and most importantly, our clients have no exposure to Madoff & Co. For better or worse, we run our own strategies and do not "farm" money out to other managers.

As I watched the news break the other week, my first reaction was that of disbelief. No way. It couldn't be. He was the envy of the industry. The "A" of "A" list clients. Perfect performance. But in the end, it was the exclamation point to the single worst year for Wall Street in the modern investing era.

It's going to take days, weeks, months and yes, even years to sort through this mess to figure out how it happened and what's left, if anything, today. And it will not be pretty! Charitable organizations are already closing down as they invested an inordinate amount of their money with Bernie Madoff.

When I first meet a new prospect, I try to get all of the uncomfortable information out in the first 15 minutes. You know the stuff, like fees and the risk of losing money. I also like to explain how their money is protected from theft, fraud, etc. The more direct folks usually ask something like, "what prevents you from taking our money and going to the Caymans"?

That questions normally gets a smile and maybe a chuckle out of me since I explain that I am in one of the most regulated industries in the country. It's nearly impossible for me to steal clients' money since my authority is to effect transactions and debit for management fees. That's it.

Silly, naive me...

I was wrong. You certainly can steal money in this industry. All you need to do is own the brokerage firm (broker/dealer) to make the trades. And own the investment management firm (RIA) to debit fees and initiate the transactions. And own the firm that holds the money and does the record keeping (custodian). And effectively own the company that is supposed to keep track of the numbers and verify (audit).

Then, be very selective of who you accept as clients and only after they befriend you. Make sure they feel as though you are doing them a favor by running their money. And cut off any prospects that want to do any real due diligence.

Oh yeah, it doesn't hurt to have a family member marry a high ranking official at the SEC. [\(CLICK FOR STORY\)](#)

Right after the news of this Ponzi scheme broke, a good friend and long time financial market curmudgeon called me to say, "I told you so". And he was right. Not that he predicted it would be Bernie Madoff, but that he said at some point this year, a revered iconic investment firm would be exposed as a fraud, taken out and shot.

In bull markets, I guess it's just a lot easier to hide things from the masses as people aren't super skeptical. But as Art Cashin likes to say, in bear markets, when the tide goes, the world sees who was skinny dipping and who was not. And it's not over; just like in 2002 when Worldcom and Enron were caught naked.

The bottom line in all this is that if you had ANY doubt about what was coming down the regulatory pipeline, that's been laid to rest. It's going to be more severe than anyone's worst nightmare.

When you're shopping for a financial advisor, just a few simple questions can save you from becoming the next victim! It's your hard earned money. Don't be afraid to ask!

At the end of my first meeting with a prospect, I like to offer some advice. I tell people that if you have any hesitation on moving to the next step, then don't move. Go with your gut. The easiest decision to make is no decision.

As always, please feel free to contact me directly by hitting reply or calling the office at 203.389.3553.

Below is an article we were quoted in discussing the Madoff disaster. Click on the link to read more.

[ARTICLE](#)

## **Next CNBC APPEARANCE - 12/18**

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I will be on CNBC Reports this Thursday, December 18 between 8:00 pm and 8:20 pm est. For those of you who would like to watch the past CNBC segments, you can click on the link below and browse at your leisure.

[Click Here](#)

Friends And Family Plan

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

<http://www.investfortomorrow.com/newsletter.asp>

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