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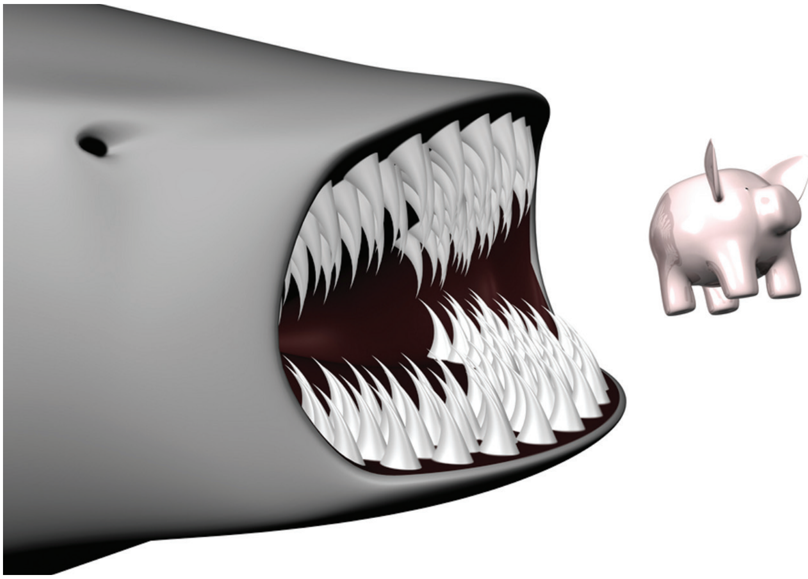
## YOUR WEALTH



# You Can Avoid the Next "Madoff"

>>>*Working closely with an advisor can make all the difference.*

***By Diahann W. Lassus***

**With so many headlines about fraudulent behavior** on the part of some financial advisors, it is more important than ever to proceed cautiously when hiring an advisor. It is also critical to stay engaged and pay attention when you are working with an advisor. Make sure you consider the following:

**How is the advisor compensated?** Fee-only compensation has the fewest conflicts of interest since your advisor is only paid by you and not by a third party for selling products.

**Does the advisor work with an independent custodian?** You should always know where your money and securities are held. Most reputable advisors will use an unaffiliated custodian for the safekeeping of their clients' assets. Make sure you know the name of the company, how to contact them directly and your account numbers. It is very important to make sure your monthly statements come directly from the custodian and not the advisor. Bernard Madoff controlled the brokerage firm that was the custodian so he could create statements even though no transactions actually occurred.

**The statement tells the story.** Don't just file your statements. Read them. Make sure you understand every purchase, sale, deposit and withdrawal and why it was made. If you have questions, call your advisor immediately. You need to remain involved and understand what is going on because it is your money.

**Stay in contact with your advisor.** Visit with your advisor at least annually, and stay in contact by e-mail or telephone. If your advisor is vague or evasive, ask for more information. Holding regular meetings with your advisor also has the added benefit of making sure that you and your advisor are clear about your financial goals, risk tolerance and investment strategy.

> >You need to remain **involved and understand** what is going on because it is your money.

The National Association of Personal Financial Advisors (NAPFA) encourages consumers to take the time to get to know an advisor and make sure they are committed to putting your interests first. That's why every year each NAPFA member signs a fiduciary oath, committing to act in good faith and in the best interest of the client.

Many financial advisors, such as brokers who work for Wall Street-based companies, are not required to put their clients' interests first. They are only required to meet what is referred to as a suitability standard, which is a lesser standard. "Fee-based" is not the same as "fee-only." "Fee-based" really means that the advisor receives commissions or other forms of compensation paid by a third party in addition to fees paid by the client.

President Obama's call for a fiduciary standard for all financial advisors who provide investment advice is a wake-up call for an industry that has fallen asleep at the wheel. NAPFA and the fee-only advisor community are hopeful the new administration, the SEC and other regulatory bodies will enact thoughtful regulations to increase protection for consumers. NJB

### About the Author

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