

Contact: Aimee Gober  
The Monitor Group, Inc.  
703.288.0500

## ***MAD AT MADOFF? READ HOW TO AVOID BEING RIPPED OFF!!***

McLean, VA (December 22, 2008) – By now you’ve heard about the \$50 billion Ponzi scheme allegedly perpetrated by Bernard Madoff, a New York City stock broker and former head of the NASDAQ stock exchange. Details are still sketchy, but it appears hundreds and maybe even thousands of “sophisticated” individuals and institutions lost money over several decades. People are asking: where were the SEC and other regulators all this time? Clearly, their oversight wasn’t enough. Due to the amount of publicity given to these stories, some of you, as well as your friends and neighbors, may be asking: “I trust you, but what if I’m wrong? I don’t want to be a victim 20 years from now.”

Let’s look at several key tips that would have prevented the Madoff situation from happening.

**Know what you own.** Stick to stocks, bonds, ETFs, and mutual funds that are *publicly traded and listed on major exchanges* like the New York Stock Exchange. They are valued independently at least daily while the exchange is open. You can check their reported returns against your own portfolio. If you can’t look up the prices and performance in the newspaper or on the Internet - that’s a red flag - ask a lot more questions.

**Use an independent custodian.** Madoff *held* his client assets, *managed* them, and *priced* them, too. See the conflicts of interest? Investment performance can look better if the prices reported to clients are manipulated, which is allegedly how Madoff showed winning year after winning year despite market turmoil. You have an independent third party custodian (Schwab Institutional and possibly others). We have no input on investment pricing. You also get independent statements directly from Schwab.

So how are you protected from our firm stealing their funds? The independent custodian holds your investments. The only power we have over those accounts is:

- To make trades in the account.
- To receive copies of monthly statements, tax documents and trade confirmations.
- To deduct only our fees from the account.

**Check on insurance.** You benefit from fraud insurance. The first part is Securities Investor Protection Corporation (SIPC) coverage for \$500,000 per account. Then, at Schwab Institutional, there is an additional \$149.5 million per account from London insurers. Fraud insurance does not protect against market declines, but it does protect against theft of securities and/or related fraudulent transactions, such as what Madoff allegedly did.

One final thought - if an investment sounds too good to be true, it probably is. Reportedly Madoff claimed consistent annual returns of 10-12% with little volatility and no annual losses. Can you name any legitimate fund manager who can make that claim in recent years? The answer: absolutely not!

The Monitor Group, Inc. has worked with clients continuously since 1981 to build trust and confidence, but lip service isn't the way to do that. Last year we were certified by the Center for Fiduciary Excellence (CEFEX), an independent investment standards organization based in Toronto Canada, for conforming to the highest fiduciary practice standards in the world. Less than 30 firms have been certified world-wide. Had Madoff's outfit sought this outside "seal of approval", they would not have made it past the first question in the audit.

At The Monitor Group we strive to employ the best fiduciary investment practices in the world. In a recent column I write for *Financial Planning* magazine, I challenged every financial planner to seek the CEFEX level of certification. Sadly, most won't try, or worse yet, couldn't pass the audit.

For more information on CEFEX or fiduciary matters, go to our website. If you have any other questions, give your relationship manager a buzz. And yes, we hope Madoff is severely punished if he's guilty.

#### **ABOUT THE MONITOR GROUP, INC.**

Based in McLean, VA, The Monitor Group, Inc. is a nationally recognized financial planning firm providing advanced wealth management services from the Washington, DC metropolitan area. For more information visit [www.TheMonitorGroup.com](http://www.TheMonitorGroup.com) or call (703) 288-0500.

###