



MAY 7, 2009

Is Your Money Manager Scamming You?

It may be time to stop taking those longstanding relationships for granted

If you're a successful business owner, you probably have someone managing your money already. And chances are you probably don't lose much sleep worrying about whether your financial advisor is going to take your money and run.

But with the Bernie Madoff scandal still in the news, it may be time to start asking your money manager some tough questions and stop taking your longstanding relationship for granted.

Madoff, former Nasdaq Stock Market chairman and founder of Bernard L. Madoff Investment Securities LLC, was arrested and charged last December with running a Ponzi scheme that could cost investors more than \$50 billion. His investors included major banks, hedge funds and charities as well as entrepreneurs like movie mogul Steven Spielberg, media czar Mortimer Zuckerman and Fred Wilpon, owner of The New York Mets, who invested with Madoff either directly or through their charitable foundations.

How did so many smart business owners let themselves get taken for so much money? "People looked at Madoff as a financial guru," says Jerry Reisman, a senior partner and commercial fraud litigator at Reisman, Peirez & Reisman LLP who represents numerous Madoff investors in the New York City area. "Word spread quickly that he was a winner, and everybody wants to be with a winner."

Part of Madoff's appeal was that he offered investors double-digit returns year in and year out and--until the stock market collapsed--let his investors take out money anytime they wanted. But like most things that seem too good to be true, Madoff's returns weren't real--and the profits investors saw on their monthly statements didn't exist.

Looking back, investors should have spotted some red flags. The accounting firm that audited Madoff's books operated out of a tiny storefront in a suburban shopping mall. And Madoff's firm wasn't a deep-pocketed public company, like a Merrill Lynch or a Morgan Stanley, that would have had the resources to cover investor losses caused by a rogue broker.

In Madoff's case, investors who gave him money directly may be entitled to recoup up to \$500,000 from the federal Securities Investor Protection Corp. However, people who invested money through "feeder funds," or hedge funds that invest money with multiple money managers, may not. What's worse, investors who pulled "profits" out of their Madoff accounts within the past six years may be

forced by the bankruptcy court to give it back--even though they may have used it to buy a house or pay for their kids' college tuition.

What should you do if you suspect your money manager is scamming you? "Pull your money out immediately." Reisman says, "and call your lawyer."

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