



NEWS

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How to Monitor Your Financial Advisor

Madoff case adds to lack of investor confidence in financial services industry and increases the need for the Securities and Exchange Commission to proactively protect investors

ARLINGTON HEIGHTS, IL (December 16, 2008) – Bernard Madoff’s Ponzi Scheme, which allegedly helped defraud investors of \$50 billion, is the latest example of how the financial services industry fails to protect those they serve. The market chaos coupled with this case and apparent inability of the Securities and Exchange Commission (SEC) to monitor large financial businesses highlights the intensifying need for tougher regulation.

Until this regulation is in place and agencies in place are cracking down on unethical, fraudulent practices, investors must take the necessary precautions to ensure they are not at risk. The National Association of Personal Financial Advisors (NAPFA) offers the following advice on how to protect yourself as you work with a financial advisor.

- Know where your money is. Whether your advisor is managing your money or you are the person who signs-off on each financial decision, an independent financial institution will hold your money. This company has “custody” of your money. Make sure you know which company it is; how to contact the company, and what your account numbers are.
- Read your monthly or quarterly financial statements. The firm that has custody, typically a broker/dealer, bank or trust company (known as the “custodian firm”) is required to provide you with at least quarterly financial statements and most will provide them monthly. Read them. Most importantly, make sure that these statements are coming to you **directly** from your custodian firm – **not from your advisor.**
- 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 these regular meetings has the added benefit of making sure that you and your advisor are clear about your financial goals, risk tolerance, and investment strategy. In fact, poor communication between client and advisor is a more common source of dissatisfaction than any type of illegal activity.

“Having a financial advisor, even a person with great credentials, is no substitute for devoting some attention to your personal finances. It’s your money, so you need to remain involved,” said Diahann W. Lassus, CFP® national chair of NAPFA.

Consumers need to be aware of situations in which their advisor is not proactively placing the good of the client above all else. “I see the negative impact on a client when an advisor has not put the client’s interests first, or in other words, not accepted fiduciary responsibility,” said Ms. Lassus. “This isn’t illegal – but it’s a practice NAPFA finds troublesome. 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 stockbrokers who work for Wall Street based companies, have a fiduciary obligation to their employer, not to their respective clients. NAPFA members are different; they do not accept commissions or any type of third-party compensation for providing financial advice.

“When seeking a financial advisor, you should find out if they are willing to sign a fiduciary oath putting your interests first,” said Ms. Lassus.

If you are interested in discussing this latest news from Wall Street with a NAPFA representative, please contact Benjamin Lewis at (301) 963-7555 or Benjamin.lewis@perceptiononline.com.

ABOUT NAPFA

Since 1983, The National Association of Personal Financial Advisors (NAPFA) has provided Fee-Only financial planners across the country with some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 2,100 members across the country, NAPFA has become the leading professional association in the United States dedicated to the advancement of Fee-Only financial planning.

For more information on NAPFA, please visit www.napfa.org.

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