



## MAKING CENTS

### BASIC RULES TO PROTECT YOUR INVESTMENTS



-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®

**E**very day, an unsuspecting investor somewhere learns that they've been duped by some con man that they thought was trustworthy. By following some very simple rules, you may be able to avoid the con man and protect your nest egg from these white collar criminals.

The first rule is not to ever write investment checks directly to an investment advisor or financial planner. Reputable advisors use third party custodians - household names like Fidelity, TD Ameritrade and Charles Schwab. If you are with an advisor who requests that investment checks be made to them or their firms instead of an independent third party, run as fast as you can from that person. If your advisor is charging you a fee for advice, then that check is appropriately paid to the advisor or her firm.

One of the byproducts of this third party custodian will be a lot of mail. You should receive monthly statements from the custodian for each account maintained and any prospectuses from any specific investment products that your account holds. The statements should be on the custodian's letterhead, not the advisor's. Don't confuse the statements with performance reports. In addition to the statement from the custodian, many advisors will also prepare a per-

formance report on their letterhead showing you how the portfolio has performed in the past month, quarter or year.

For investments that may not be registered with an agency such as the Securities and Exchange Commission or a state securities division, be especially skeptical. These investments often

come in the form of a real estate deal or a closely held business. Never invest in a real estate deal or a small business without documentation that explains the business purpose, the principals involved and the potential risks. I'd want to see a complete business plan.

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Do not take anything for granted. It is not unreasonable to ask for financial statements and tax returns of the small business that you are being asked to support. You should do a site visit. Do not let things that seem different or unusual go without inspection or inquiry. If you don't understand what you are told or see, consider hiring a second opinion.

While there may never be a foolproof way to avoid being ripped off, following some of these basic rules may prevent the heartache and embarrassment of being duped.

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