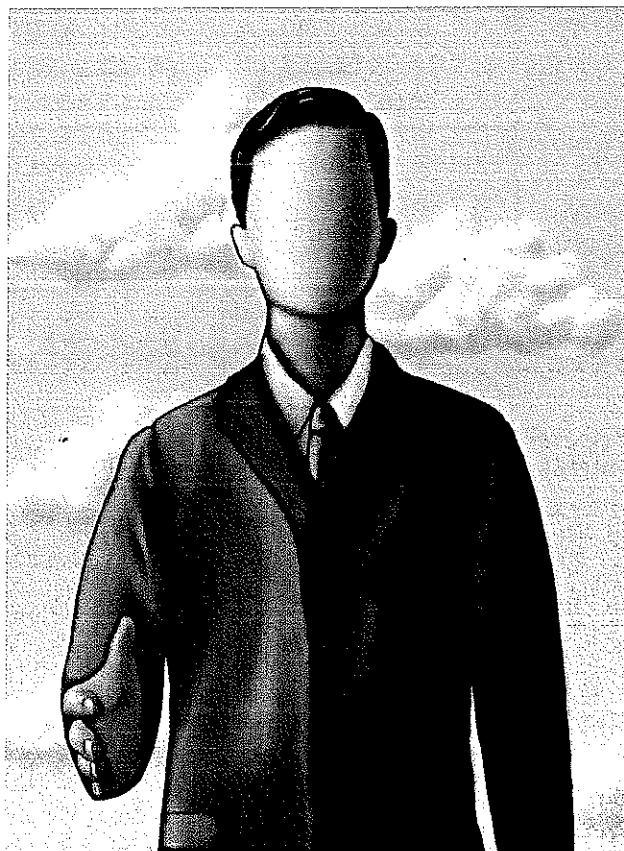


Investors Beware



At the age of 73, and after a 50-year career as a self-employed insurance adjuster, "Mr. Jones" had created a successful business and attained a net worth of more than \$2 million. He and his wife had worked tirelessly to raise their four children and save for retirement.

Mr. Jones was wise enough to realize that he was not qualified to manage his own investments and that the time had come to engage a professional financial adviser. Unfortunately, like many people, Mr. and Mrs. Jones are very trusting so they met with a financial adviser who had contacted them through a telemarketing call.

They welcomed the young, smooth talking stockbroker into their home and opened their entire lives to "Joe Young." But the couple's good nature caused them to become prey to his misconduct and they suffered a loss of more than \$1 mil-

lion, which was over 50 percent of their net worth. As it turned out, Mr. Young was only interested in his own financial future, so although he earned more than \$90,000 in commissions, the Joneses suffered extreme losses.

The husband and wife were the victims of several wrongdoings at the hands of Mr. Young. First, he "churned" their account, which involved recommending and executing an unreasonable number of transactions in order to generate commissions for himself. Mr. Young also recommended and purchased investments that were inappropriate, given the Joneses' profile and objectives.

He executed trades without the couple's permission and provided misleading and incomplete information which the Joneses needed to make educated decisions. Overall, Mr. Young failed to provide the proper service or advice. If Mr. and

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Mrs. Jones had been armed with some additional information, they might have avoided their relationship with Mr. Young and the subsequent losses they suffered.

IMPORTANT QUESTIONS

When considering financial advisers, there are many questions you can ask to help make an educated decision and avoid becoming a victim, including:


1 Who is your financial adviser? The best way to get the names of qualified and trustworthy financial professionals is to ask people you trust. Your accountant and/or attorney can be a valuable resource in helping you find the appropriate person. Also, friends and family can be great sources of information.

2 What is the professional's investment philosophy? Does the person only follow one investment style? Discuss your goals and objectives and make sure the adviser wants to help you achieve them.

3 Is the professional licensed and does he or she have any professional certifications? Do not be afraid to ask about someone's educational background. If the person is licensed or certified, contact the licensing or certifying body to see if any complaints have been filed against them. No doubt you have seen many initials following financial professionals' names, e.g., CFP, CFC, CFA, etc. Ask what these initials mean and what's required to receive these credentials.

4 What other services does the professional provide? Many financial professionals provide additional services, such as insurance brokerage. Determine if the professional can assist you with all your financial needs or if he or she only works in a specific area, such as providing asset management services. Do the services they provide affect the advice they give you?

5 How are they compensated? There are many ways financial professionals are compensated. Some earn their fees on a flat fee basis and others are compensated by the companies whose products they sell. Others charge a percentage based upon the amount of money they manage. These are just a few compensation methods. Make sure you feel comfortable with the arrangement. Your attorney or accountant can assist you in determining what setup is best for you.

While this is not an exhaustive list, asking these questions will help you establish a solid relationship with your financial professional and may help avoid problems. Unfortunately, if you still find yourself the victim of wrongdoing or fraud, be aware that rules and regulations exist to protect you, and that you should meet with an attorney to explore all your options. 

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