



## Who Can You Trust?

At Northstar we are angry at the injustice being done to people who are confused and overwhelmed in their financial lives and are looking for help and advice from the experts. Remember Peter Finch's character in the 1976 movie *Network*? He shouted with his studio audience at the start of his mythical TV show: "We're mad as hell and we're not going to take it anymore!" Well we're "mad as hell" too and joining a crusade to try, in our small way, to protect our clients and friends from the wolves in sheep's clothing who want nothing more than to separate you from your hard-earned money. Witness the following:

### **Raymond James Website 11/15/2004**

*What our tradition of excellence means to you.*

*We believe that clients deserve ...a knowledgeable, independent financial advisor to work with them... Integral to our service commitment is the selection of the best people to serve Raymond James financial advisors and their clients. These are people with high integrity and ethics who are driven to excel. Meeting clients' financial planning and investment needs – first by striving to protect their principal and its buying power from inflation, then by working to enhance their financial position through income generation and capital appreciation – is our primary goal.*

***Our business is people and their financial well-being, and our objective is to serve them effectively, efficiently and distinctively – whatever their financial planning and investment needs***

### **US Securities & Exchange Commission, September 2004**

The Securities and Exchange Commission's Division of Enforcement brought civil fraud charges against Raymond James Financial Services, Inc., based on the conduct of one of its former brokers, Dennis Herula. The SEC Enforcement Division alleges that, in 1999 and 2000, Herula and others fraudulently solicited a number of investors to deposit approximately \$44.5 million in a Raymond James brokerage account held in the name of Brite Business, promising them astronomical returns with no risk if they did so. Approximately \$16.5 million of investor funds - most of which were subsequently transferred to Herula's wife's brokerage account at Raymond James - were dissipated and never returned to investors, and Herula and his wife misappropriated approximately \$8.7 million of those funds.



**FOUR  
SIMPLE  
RULES  
TO  
PROTECT  
YOUR  
WEALTH!**

We're not picking on Raymond James any more than any of the other financial industry firms that have decided put their name and marketing muscle towards dominating the personal financial planning business. Furthermore, one bad apple does not ruin the pie, but the list of big-name players caught making mischief with other people money goes on and on! American Express Financial Advisors, Waddell & Reed, Edwards Jones and others have all been in the news recently.

What can you do? Four basic rules for protecting your wealth:

**Rule #1. If it sounds too good to be true, it probably is.**

As humans, we are always torn by the conflicting tidal pulls of Greed and Fear. When everyone else at the party seems to be hitting the jackpot, it is human nature to respond to those who

promise you your chance at the golden ring. We will talk more in coming newsletters about how to spot a financial scam and the basics of the investing Risk/Reward tradeoff.

**Rule # 2. Never give anyone full discretion or full power of attorney over your money.**

The "One Big Way" people get into trouble is by giving someone else absolute control over their investments. Full discretion is the same as full Power of Attorney and means someone else can act as if they were you, without consulting you or getting your approval beforehand. You should only give a Limited Power of Attorney to your advisor to trade in your account.

**Rule # 3. Your advisor should never take custody of your money.**

Custody means who holds your money. Your assets should be held at a separate

regulated entity, such as a bank or major brokerage house. At Northstar, we custody our clients money at TD Waterhouse Institutional and they get a separate monthly statement from Waterhouse.

**Rule #4. Be sparing and cautious in giving your trust.**

One of the great con men of the '60's, Bernie Cornfeld of IOS fame and Swiss exile fate used to say: "*If you can learn to fake sincerity, you've got it made in this business!*" Talk is cheap. Be careful. When someone wants to put themselves in the mix of you and your money, first insist on checking credentials and verify regulatory cleanliness. All financial advisors are regulated by either the State or the SEC. Most crooks and scam artists have a history and it's very hard to hid if you check. References are not enough.