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Protecting Yourself from Investment Scamsters

Bernie Madoff may have gone to jail, but if you think we've seen the last of fraudulent investment schemes, you could be setting yourself up to become the next victim. Stronger regulations are in the works, but there are some basic steps you can take to help protect yourself and your family.

Know where your money is going

One of the reasons Madoff was able to avoid exposure for so long was that his firm acted as both investment advisor and custodian of his clients' assets. His clients wrote their checks directly to Madoff's firm rather than to an independent custodian. As a result, there was no outside verification of whether he was actually making the trades he claimed. Checks should generally be written directly to a custodian firm that also is involved in processing your account statements.

Know where your money's going, part 2

Don't invest purely on the basis of returns; understand what you're investing in. Because people were so anxious to invest with Madoff, he was able to deflect questions about how he achieved his results (a fairly simple process, as it turned out - he lied). Most of Madoff's investors didn't know or care what a split-strike conversion was as long as it supposedly produced the returns Madoff promised (people who did understand the strategy were the first to question whether his returns were real). You don't have to become an investment genius

Web resources

The FINRA website (www.finra.org) has two interactive tools to help you spot potential investing red flags. The Scam Meter asks a series of questions about an investment to assess whether it might literally be too good to be true. The Risk Meter reviews behaviors and personality traits that make some investors more likely to be victimized.

to have a fundamental grasp of what you're invested in, how it works, and what the potential risks and rewards are.

Do your homework

A recommendation from an acquaintance may be a good starting point for research, but it shouldn't be the sole factor in your decision making process when choosing investments or an investment professional. Being popular or well-known doesn't necessarily make someone the right person to handle your finances.

Though it might not have red-flagged Madoff, Form ADV can provide background information about a registered investment advisor. Part 1 of the form can be found at www.adviserinfo.sec.gov; Part 2 must be supplied directly by the advisor and includes information on services, fees, and investment strategies. The Financial Industry Regulatory Authority (FINRA) website's BrokerCheck allows you to confirm broker licensing and check on any history of disciplinary problems. Information about insurance professionals is available from the individual states.



Take advantage of multiple resources

Madoff used reverse psychology; the more difficult he made it for people to invest with him, the more they wanted to do so. If you question or don't understand advice from one financial professional, you should feel free to consult someone who can help you make sense of what's being proposed for your money. You might also want to consider using multiple investment managers, each of which may specialize in a specific investing style or asset class.

About New Wealth Advisors.

New Wealth Advisors is an independent, fee-only, SEC-registered investment advisor, operating as a multi-family investment office. We work with newly wealthy individuals and families to protect, grow and manage assets.

Finding the Right Financial Professional

At some point in our lives, many of us turn to a financial professional for help with financial matters.

Charting a course with a professional to reach your financial goals can be an exciting adventure, but it shouldn't have to be a blind leap of faith. Before you commit to a long-term relationship, here are some things to think about.

Credentials and area of expertise

Take a look at the credentials of any financial professional you're considering. What degrees, licenses, certifications, and/or financial designations, if any, has he or she earned? These may depend on the professional's area of expertise.

A good communicator

A financial professional should take the time to fully understand your goals, and do a good job of explaining the proposed approach to meeting those goals.

Speaking of expertise, you should find out whether the financial professional concentrates his or her practice in a particular area, or whether he or she has a more broad-based practice. Maybe you're looking for someone with expertise in a particular area, such as business succession planning or investing in real estate and commodities. Or perhaps you want someone who will look at every aspect of your financial situation - from budgets, to saving for college and retirement, to insurance coverage, to tax planning, to

estate planning. Obviously, you'll want to make sure that the person you'll be working with has experience in the financial areas for which you're seeking advice or works with other professionals who do.

Experience and reputation

While experience is important, a long track record isn't worth much if it isn't a good one. Even if you get a recommendation from family or friends, you can't be sure how thoroughly they did their research or how their circumstances might be different from yours in subtle but important ways.

If the person you're considering is a Registered Investment Advisor (RIA), you can ask him or her for a copy of Form ADV, which reviews an advisor's background, services, fees, and any disciplinary actions. Similarly, the Financial Industry Regulatory Authority (FINRA) has a BrokerCheck section on its website, www.finra.org, which allows you to check an investment broker's licensing, registration, and any history of disciplinary problems.

Communication skills

A relationship with your financial professional is an ongoing one. To adapt your changing financial circumstances and preferences to the ever-changing, complex world of financial regulation and products, a financial professional must communicate with you over and over again. So you'll want to find someone who is both a good listener and responsive to your needs.

After your initial meeting, ask yourself these questions:

- Did he or she take the time to fully understand my goals, and do a good job of explaining the proposed approach to meeting those goals?
- Will we be able to meet or speak regularly about my portfolio or other issues that may arise?
- Will my e-mail and/or phone calls be promptly answered?

Fair compensation

Financial advice isn't free. All financial professionals get paid and deserve to be fairly compensated. Your job is to make sure you understand how your financial professional is paid. Some are fee-only - their compensation depends entirely on the services they perform. They may be paid by the hour, by the project, or on a percentage of assets managed. But others get at least some of their income from commissions, which are based on the investments they sell. Compare the various compensation alternatives and consider the one with which you are most comfortable.

Conclusion

Before you spend time, energy, and money investing in a long-term relationship with a financial professional, make sure you feel comfortable with the person you've chosen to help you navigate the financial world. Trust your instincts, and remember, you are in control.



Health Insurance Options After a Job Loss

It's hard enough facing the financial and emotional trauma of losing your job. One of the issues you may confront is the loss of your employer-provided health insurance as well. While there may not be a simple solution to your health insurance dilemma, you should understand your options.

COBRA

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides for continued access to health insurance for people who lose their employer-sponsored coverage due to termination of employment (among other triggering events).

Under federal law, employers with 20 or more employees that provide health insurance are required to offer COBRA coverage. As a qualifying employee, you can remain on your employer's plan for up to 18 months. However, you must pay the cost of COBRA insurance, plus a 2% administrative fee, unless your employer pays some of the cost. But you can't be turned down due to pre-existing health conditions, and the coverage will include your family if they were also covered under your employer-sponsored plan.

Note: The American Recovery and Reinvestment Act of 2009 (ARRA) provides that, for involuntary terminations that occur on or after September 1, 2008, and before January 1, 2010, assistance-eligible individuals will only need to pay 35% of COBRA premiums for a period





of up to 9 months. The remaining 65% of premium cost will be subsidized by the federal government.

State programs

If your employer has gone out of business, stopped offering health insurance, or is too small to qualify for COBRA, you may still be protected. Many states have laws that provide health insurance continuation programs similar to

COBRA. However, the laws of each state may differ as to employee qualifications, length of coverage, spousal and dependant benefits, etc. Check with your state's labor department or insurance commissioner's office for more specific information.

Your spouse's coverage

If you have a spouse who is working, he or she may have access to employer-sponsored health insurance. If your spouse qualifies for coverage, you and your family can enroll in your spouse's plan without having to wait until the plan's regular enrollment period, and you can't be excluded for pre-existing health conditions.

But don't jump to your spouse's plan just because it's cheaper than your COBRA coverage without considering some important factors. Your spouse's plan may not offer as many benefits as your COBRA coverage. For example, your spouse's insurance plan may not cover your doctor or your preferred medical facility. And while that plan may cost less because of greater employer contributions, if your spouse should lose their job, your spouse's COBRA coverage might cost more than your COBRA coverage. So before switching health plans, compare your spouse's plan benefits to your COBRA coverage, consider the security of your spouse's job, and find out what your spouse's COBRA coverage would cost.

Insurance through an organization

Often, various groups and organizations such as fraternal clubs, religious groups, unions, and local chambers of commerce offer health insurance to their members. Because the coverage is based on a group, its cost is usually less than comparable private insurance. But coverage may be offered through only one insurer, the plan benefits may be limited, and co-payments and deductibles may be higher than under your current plan.

Private health insurance

Another alternative is private individual or family health insurance. Private insurance gives you the greatest choices for plan benefits, but it most likely will cost more than coverage through your former employer. Also, you or members of your family could be denied insurance coverage due to pre-existing medical conditions unless you meet specific HIPAA qualifications.

More options

Other cost-effective choices include high deductible individual plans and the federally subsidized, state-administered Children's Health Insurance Program (CHIP), which is available for families with modest incomes. Contact your state insurance department for more information.

How much will COBRA cost?

Excluding the temporary subsidy provided by ARRA, you generally are responsible for 102% of the cost of COBRA continuation coverage. In 2008, the average annual cost for COBRA continuation health insurance was \$4,704 for an individual plan and \$12,680 for family coverage.

Source: *The Henry J. Kaiser Family Foundation Employee Health Benefits: 2008 Annual Survey, September 2008.*



Photo by John Nelson Ferrara



What health insurance options do college students have?

There are basically two ways to insure your child's health while at college: through your family health plan or a health plan provided by the school.

Most family health plans allow a child to continue to be covered by the family plan if the child is your dependent (check the policy for specific age limits and requirements) and is a full-time college student. But be sure to check whether coverage is available for doctors and medical services provided on or near campus. Some plans, such as health maintenance organizations (HMOs), may offer full coverage only if provided by doctors or at facilities within the HMO network. Full benefits may not be available for care provided by doctors or at facilities outside the particular HMO network. However, other types of plans may offer full coverage for almost any type of care provided by most doctors or at nearly all hospitals.

If your child isn't covered by your family health plan because he or she has reached the maximum age stated in the policy to be covered as a dependent, or is not a full-time student, the Consolidated Omnibus Budget Reconciliation Act (COBRA) may allow your child to continue to be covered by your plan on an individual basis. The benefits of your health insurance plan are available to your child for up to 36 months, but often at an additional cost.

Your child may also obtain health insurance through the school. Many colleges offer low-cost health plans for students that may even be less expensive than continuing coverage through your family plan. These plans are usually not as comprehensive as family plans, but provide benefits for most urgent or serious injuries or illnesses. Plans differ from one college to the next. Also, check the applicable laws of the state where the college is located. Those laws may impact the level of coverage available and the cost of coverage.

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Can a student's health insurance be cancelled during a medically necessary leave of absence?

Generally, no. In 2008, President Bush signed into law H.R. 2851, known as "Michelle's Law." It ensures that a child covered under a health insurance plan as a dependent and full-time college student will continue to be covered during a medically necessary leave of absence from school due to a serious medical condition.

The law is named in memory of Michelle Morse who, while a full-time college student, was diagnosed with cancer. Against her doctor's wishes, she opted to continue her studies on a full-time basis while undergoing treatment so she could remain covered under her health insurance plan.

While Michelle's Law does not require health insurance plans to provide coverage to dependents, it does mandate that plans offering such coverage allow students like Michelle Morse to take a medically necessary leave of absence from college without losing their dependent status under their health insurance plan. The determination of a "medically necessary" leave of absence is made by the student's treating doctor.

Under the law, the coverage must be extended for the earlier of one year from the date of the student's medically necessary leave of absence or the date the coverage would have otherwise ended based on specific policy provisions. The law applies not only to public and private two- and four-year colleges, but also to many occupational education and postsecondary vocational schools.

The law becomes effective for insured and self-insured health plans on the first day of their plan year beginning on or after October 9, 2009. For calendar year plans, this means the effective date is January 1, 2010.

Michelle's Law applies to individual health insurance plans in the same manner as it applies to group health plans. And if a parent or employer changes medical plans, any new plan must continue the dependent student's coverage under the new plan.

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