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“How do I protect myself against financial fraud?”

By Patricia C. Brennan, CFP®

The likelihood that you will encounter fraud committed by your trusted financial advisor is remote. But as the victims of Bernie Madoff and others will tell you, the consequences can be absolutely devastating.

The best way to protect yourself is to know the rules and to trust but verify. Be on the lookout for red flags such as these:

Skewed risk/return ratios. Above-market return is the primary characteristic of investment fraud. Low-risk, high-return investments are mythical. You should expect compensation from your investments in proportion to the risk you are willing to bear.

Too good to be true. Beware of guarantees of a higher rate than what you would get with other guaranteed instruments.

Secrecy. There are no secrets to good investing. Any broker who asks you to keep an investment secret or who boasts of special connections or inside information should not be trusted.

Overly consistent. It is not normal for an investment to earn the same rate of return each month. Markets have a degree of volatility, and your

monthly reports should reflect some fluctuation.

Complexity as an explanation. A strategy should not be too complicated for your advisor to explain. Do not be fooled by sophisticated terms or fancy phrases. Avoid investing in something you do not understand.

Vanishing paperwork. For every investment considered, you should receive a prospectus, an offering memorandum or a disclosure statement. These documents are critical because they explain the nature of the investment in full detail.

Unregistered investments. Fraud is more likely to involve unregistered investments because of the difficulty individual investors have in spotting when something is amiss. These investments are not registered with the SEC or state regulators and therefore have more limited transparency.

Delayed payments. If you are having difficulty receiving payment or cashing in an investment, it may signal illegitimacy. This is particularly a cause for concern if your broker encouraged you to roll over your investment with a promise of even greater return.

Lack of oversight. One of the reasons Madoff's scheme went undetected was the lack of checks and balances. For optimal protection, your investment account should be held with an independent, third-party custodian that is regulated and monitored by regulatory agencies.

Do not fund investments with checks made payable to your broker. If that person wants to engage in fraud, your money will be gone. Instead, write checks to the third-party broker-dealer or the product company.

Unregistered advisors. Federal and state securities laws require brokers, investment advisors and their firms to be licensed or registered and to make important information public. The information is easy to get. FINRA's website lets you check your advisor's background, or you can call 800.289.9999 for the BrokerCheck hotline.

The responsibility of due diligence falls upon you, the individual investor. Make sure you are asking the right questions and compiling enough facts to steer clear of fraud. Trust what your broker tells you, but verify its accuracy. ☺

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results.

The views expressed are not necessarily the views of Royal Alliance Associates Inc., and this material should not be relied upon as investment advice. There are risks inherent in all investments. Investors should seek the counsel of their tax professional and investment advisor prior to making any change.

ABOUT PATRICIA C. BRENNAN

**Candidates for the Philadelphia Business Journal and Barron's were determined by The Winner's Circle. Candidates were valued on criteria such as assets under management, revenues, experience and record of regulatory compliance and complaints. Candidates were further vetted based on in-depth interviews and discussions with management, peers and customers, as well as professional achievements and community involvement. The Winner's Circle does not receive compensation from participating firms or their affiliates, financial advisors or the media in exchange for rankings. In addition to the criteria used for the Barron's article and the Philadelphia Business Journal, Wealth Manager magazine takes into consideration service to industry organizations and mentoring to others. Presented to 7 percent of wealth managers with five years of experience in the financial services industry, all professions within a market area. Each wealth manager was reviewed for regulatory actions, civil judicial actions and customer complaints. <http://www.fivestarprofessional.com/fiveStarAssets/pdfs/GenericResearchWM.pdf>. Third-party rankings from rating services or publications are no guarantee of future investment success.*

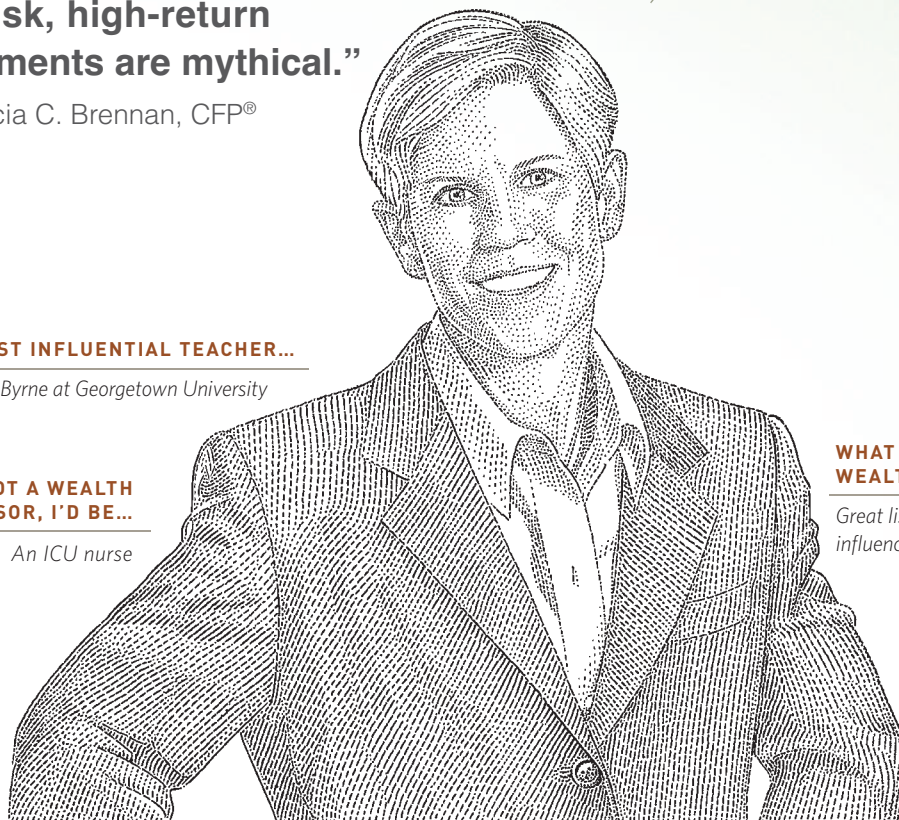
The Delaware Valley region is defined as the following counties: Pennsylvania—Berks, Bucks, Chester, Delaware, Montgomery, Philadelphia; Delaware—New Castle; Maryland—Cecil; and New Jersey—Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, Ocean, Salem.

“Above-market return is the primary characteristic of investment fraud. Low-risk, high-return investments are mythical.”

– Patricia C. Brennan, CFP®

How to reach Patricia C. Brennan

New clients may contact me at 610.429.9050 to schedule an initial consultation.



MY MOST INFLUENTIAL TEACHER...

William Byrne at Georgetown University

IF I WERE NOT A WEALTH ADVISOR, I'D BE...

An ICU nurse

WHAT MAKES A GOOD WEALTH ADVISOR...

Great listening and influencing with integrity

About Patricia C. Brennan

A graduate of Georgetown University and a Certified Financial Planner, Patricia C. Brennan strives to communicate complex financial concepts in understandable terms. She has frequently been named one of *Barron's* top 100 women financial advisors, as well as one of its top 1,000 financial advisors in America (February 2009)*. Other accolades include: one of America's top 100 independent advisors, *Registered Rep* magazine, November 2007; one of the 50 most influential women in wealth management, *Wealth Manager* magazine, April 2008; number two in the Greater Philadelphia Area, *Philadelphia Business Journal*, October 2008; and five-star wealth manager, *Philadelphia* magazine, November 2009.

Assets Under Management
\$300 million

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$500,000

Largest Client Net Worth
\$70 million

Financial Services Experience
24 years

Compensation Method
Asset-based and fixed fees; commissions (investment and insurance products)

Primary Custodian for Investor Assets
Pershing

Professional Services Provided
Planning and investment advisory services

Association Memberships **Financial Planning Association**

Website **www.keyfinancialinc.com**

Email **pbrennan@keyfinancialinc.com**

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Patricia C. Brennan, CFP®, CFS
President

Key Financial Inc.
1560 McDaniel Drive
West Chester, PA 19380
Tel. 610.429.9050

Email: pbrennan@keyfinancialinc.com
www.keyfinancialinc.com

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