

How Unified Trust Prevents Investment Fraud Such as that Perpetrated by Bernie Madoff

There is one simple, almost sure-fire way, to prevent investment fraud such as that perpetrated by Bernie Madoff. It is recommended clients use only financial institutions or investment advisors that use large, reputable custodians to hold client assets. Most “scams” require fake statements. That means the crooked advisor must have control of report generation. Unified Trust does not allow that to happen and serves as a fiduciary to the client.

Under this approach the investment advisor does not have custody of client assets. This means they never directly handle client checks, deposits, or withdrawals. This reduces the opportunity for fraud.

Unified Trust sends monthly or quarterly statements directly to the client. They must report all activity in the account directly to the client. Some investment advisors may send separate performance reports or account statements generated by them. This duplicate reporting system makes fraud easy to spot.

If you use an investment advisor that does not use a large, reputable custodian, and instead takes custody of assets themselves, and generates their own account statements, they can report anything on that statement. There is no third party verifying that the client really owns the assets they say they own. This is how Bernie Madoff perpetuated his fraud year after year.

If a custodian did allow money to leave the account, and it was not according to client instructions, it is their responsibility to remedy the situation. Reputable custodians have insurance in place to protect clients against such a situation.

To protect yourself from investment fraud, before making a new investment, or hiring a financial advisor, ask the following questions.

- Are you a fiduciary?
- Who is the custodian of my assets?
- What type of fraud detection technology does the custodian have in place?
- What type of insurance does the custodian provide if fraud does occur?
- Who generates my account statements?
- Who is your regulator?
- When were you last examined?
- What did the examination report conclude?

Finally always be skeptical of offers “too good to be true.” They usually are.

