

President's Message February 2009

Go to the following site to read a success story that will warm your heart, at least temporarily (http://en.wikipedia.org/wiki/Celestial_Seasonings). The American dream of starting one's own business, growing it to success, and then selling it for presumably a lot of money, resonates with all of us. Even more interesting is that Mr. Siegel's skills were in such demand, that he was called back to run the company for a second time. Then why was Mr. Siegel quoted on January 27, 2009, on Bloomberg radio as saying that the only appropriate punishment for Bernard L. Madoff (and others of similar stripe) was a public hanging? BTW, Mr. Siegel is very soft spoken and portrayed by his interviewer, Charlie Stein, as a wonderful philanthropist. You guessed it: Mr. Siegel lost a large portion of invested funds in a Ponzi scheme, not to Mr. Madoff, but to one Arthur Nadel (see <http://abcnews.go.com/Blotter/story?id=6741460&page=1>).

I had two reasons to take courses in Financial Planning at Fairleigh-Dickinson University (FDU). The first was to retire with as much of the funds possible that my wife Linda and I had earned over our working life. The second was to help others achieve the same results. One of my fellow students described this second goal as a "noble pursuit," and I would agree. At FDU I learned that one well-respected school of thought in the financial world espouses something called the Efficient Market Hypothesis. Various forms of this hypothesis suggest that investors cannot outperform the stock market on a risk-adjusted basis. Yes, tech stocks should perform better than short-term treasury bills since they carry more risk. Now that I am on my soapbox, one other concept that one hears repeatedly is that of "transparency." My definition is similar to that of a good marriage, that there are no lies nor secrets.

Madoff and the other Ponzi experts violated these concepts and basically treated their clients as too dense to understand the complicated machinations that they performed. When one's investment advisor tells them that their system of investing is too complicated to explain, there is an immediate red flag to back out of the deal. Our Reform website, www.urj.org is an excellent site to discover the wrath that these scam artists have wreaked upon the network of Jewish charities. Luckily, it has not affected the Jewish Center of Northwest Jersey. It has, however, affected the 401(k)'s of local Jewish Federations.

There are approximately 400,000 financial planners in the United States. Only 40,000 of them have earned the designation of Certified Financial Planner (CFP®). Madoff and the others scammers did not earn the CFP® designation. I would imagine that there are CFP®'s behind bars for financial transgressions, but since they carry a fiduciary responsibility to their clients, I am certain the percentage behind bars is much smaller than those that are not fiduciaries. As a final note, most stockbrokers are not fiduciaries.

Please contact me at arvesen@att.net or by phone at 917-941-4332 for any questions or comments.

Shalom,
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