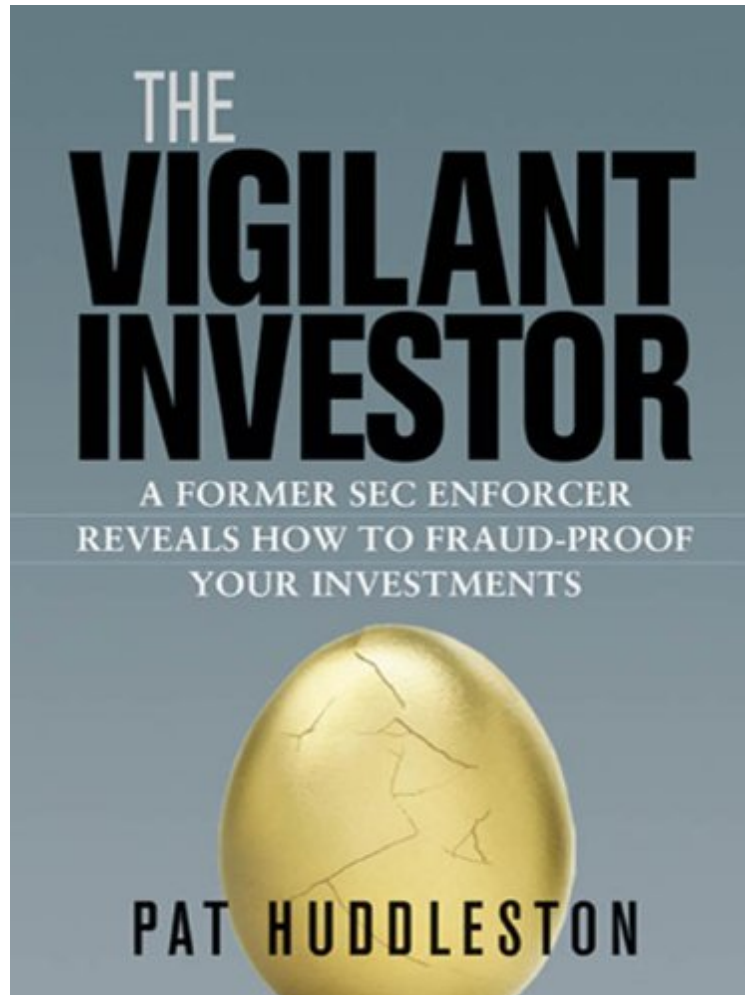


[Free] The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments

The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments

Pat HUDDLESTON

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Pat HUDDLESTON : The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments:

1 of 1 people found the following review helpful. Your Capital Faces Yet Another RiskBy Gregory McMahanThe Vigilant Investor sheds light on an often neglected risk to the capital of investors large and small: that of outright theft by one or more elements of the financial industry. The author skillfully uses an assemblage of notable (and at times hilarious, shocking and sometimes heart-breaking) anecdotes to warn investors about the very real dangers that the financial industry poses to their net worth and their overall financial well-being. Although I applaud Mr. Huddleston's tremendous efforts in getting the word out, I fear that, in the end, nothing much will be done to turn the tide in favor of

the investor. Huddleston starts his narrative with two notable anecdotes. In one, he laments the fate of an investor, an older gentleman who lost most of his life savings to an investment scam, and in the second, he relates the very true story of the aptly named 'Geritol Gang', who, after having been bilked by their investment manager, proceeded to kidnap and torture the knave into giving them back their nest eggs (the story has a bit of a bitter ending- the thoroughly scathed investment manager survived the ordeal, and the courts prosecuted the embattled and enraged senior citizens to the fullest extent of the law). In so doing, he attempts to call attention to the growing threat of the financial industry targeting senior citizens and their life savings, with an eye to divorcing one from the other. According to him, the problem is big, growing and with the onset of a massive wave of retirements among the Baby Boomers, only set to grow into a veritable tsunami of theft. Huddleston reveals the true limits of the law and its enforcement (the investment cops are always outnumbered, and always out-flanked, out-maneuvered and out-gunned), and shows how the financial industry ably games the system to maintain the status quo. He then takes the reader on a guided tour of a few of the more common investment scams and frauds, and how to detect and avoid them. He also shows the reader how to root out unscrupulous activity in his or her brokerage account, and how to deal with bad brokers. However, the most important element of this book, and unfortunately, the Achilles heel of all investors large and small, is the brilliant insight Huddleston imparts when discussing the root causes and key drivers of investment fraud and theft. Here, Huddleston relies on the emerging field of behavioral economics for support. Yet, in the end it is certain tendencies on the part of investors as a group that will generally tend to ensure that the crooks will have free reign. Here's why: The protection of one's grubstake from thieves requires a different kind of thinking and a lot of effort in the form of legwork (and the associated dollar cost of doing this). People, in general, are lazy. Even if they are not lazy, inertia tends to overcome them, and it is a rare investor that can muster the effort to overcome inertia. Because people are lazy, they tend to do what's easiest, focus on that which is close at hand (what statistical nerds like myself call convenience sampling) and avoid any attempt to venture far from their comfort zone. This makes it easy for the opinions of friends, family and so-called 'trusted' advisors to stand in for opinions of one's own. Investment scams take a life of their own for two (2) important reasons. First, people like to feel important, but more to the point, they like to feel like they are privy to or are getting something that few others are getting (the exclusivity effect or snob appeal). Moreover, they have a need to feel better than or superior to the next guy- a.k.a. the typical schmuck. This is how investment scams almost always attract their dupes- by seemingly making them feel special and privy to something that only a select few have access to. Similarly, people in general also want to avoid that feeling of being left out- and it is a powerful feeling (especially when the market is up, and everyone is making money- or at least says this to you without any supporting evidence- even that dork at work that everyone thinks is a doofus and a total tool). Granted, a couple of other forces are at work, such as intimidating the financially ignorant into silence (so that thoroughly uncomfortable but very enlightening questions will not be asked of the scam-peddler) usually by making them feel dumb because they are not 'sophisticated' enough to understand the complex and oh-so wonderful investment opportunity (to which I always say: BE SMART, AND HAPPILY LOOK DUMB WHILE ASKING ALL OF THOSE STUPID QUESTIONS, as chances are, you will end up being the smartest- and most solvent- person in the room). Then, once the suckers realize that they have been had, a sense of shame (and self-loathing) overcomes them, and they will work hard to avoid public rebuke, ridicule and generally looking like an idiot before their peers. This brings us to the second reason why investment scams perpetuate (indeed, the same scam-artist can often be seen, peddling the very same scam to a new crop of investors even after he has been caught red-handed): the fear of looking like an idiot for losing so much of your money (and more often than not, the money of your friends, loved ones and community members because you either vouched for or recommended the dirty, rotten S.O.B to them) explains why many scams go unreported and many scam peddlers can trundle along, merrily repeating their scams. Guys like Huddleston (a card-carrying member of the white-hat society if there ever was one) and outfits like the SEC can put the word out, but as long as people refuse to get off of their collective asses and do a little digging, and fall for scams because of a need to feel better than or superior to others (and consequently succumb to a desire not to look like an idiot when they have been had), the crooks will prevail. That said, with the publication of this book, Huddleston gets kudos for letting all investors know that their capital faces yet another risk- that of outright theft, and it is up to all of us investors to expose these frauds and cons, and in so doing, help to protect one another.

2 of 2 people found the following review helpful. Invaluable Lessons By Zack The Vigilant Investor is the rare book that identifies a real problem - investment fraud - and also teaches you how to avoid/fix it. As someone with retired parents, I found Part 2 particularly useful. Pat's tips and lessons helped me realize that my parents' (now former) financial advisor was profiting through unsuitable investment recommendations, variable annuities (chapter 10). Moreover, Pat's investigative techniques allowed me to uncover that the advisor had tried to cover up a prior securities violation (chapter 8). Everyone who reads this book - or even a portion of it - will learn at least one invaluable lesson that will save them or their loved ones from being defrauded.

3 of 3 people found the following review helpful. Great advice from a true expert in the field By Tim S This book is packed with great advice for how to protect your hard earned nest egg. Mr. Huddleston uses real life case examples to clearly illustrate how to spot the scamsters, and more importantly, how to avoid them altogether. You will probably be scared witless (as I was), to learn how resourceful the bad guys

can be, but thank God for people like Pat who are so committed to protecting the honest investors. Very well written -I recommed this book to everyone!!

Making sound investments is tough enough without having to worry about unscrupulous financial advisers and outright frauds. But recently strengthened laws aren't enough to stop the "professionals" intent on profiting from—or just plain stealing—your money. As an Enforcement Branch Chief at the Securities and Exchange Commission, Pat Huddleston witnessed countless people lose their life savings to reckless stockbrokers and fraudulent schemes. Now an SEC-recommended Receiver and CEO of a securities and investment fraud investigation agency, Huddleston has intimate knowledge of how scam artists and bad brokers operate. In *The Vigilant Investor*, he explains WHY we fall for investment scams, HOW con artists play on our emotions, and WHAT we can do to protect ourselves from predators. With its unique look into the science of financial decision making, the book blows up the popular myths and simplistic "do's and don'ts" of investing while sharing techniques anyone can use to perform due diligence even better than the "experts." With gripping stories of actual cases, Huddleston sheds light on the dark corners of the investment industry and teaches investors and professionals alike how to spot fraud and guard themselves against financial catastrophe.

"...how to protect oneself from unscrupulous scammers... good investment for readers seeking to protect their financial assets." --ALA Booklist "A great addition to the bookshelf of any investor. Huddleston's examples help simplify these complex issues." --Library Journal "With the misdeeds of Bernie Madoff still fresh in our minds, this humorous yet insightful look at how to protect yourself from scams and con men is sure to be a hit." --ValuentumSecurities.com "...belongs in the libraries of all investors everywhere. Not just filed away as a reference and resource, but read and read again... Highly recommended." --SeekingAlpha.com "...details more kinds of investment fraud than you could ever conjure up in your wildest imagination...both a compelling read and a cautionary tale. It's well worth a look." --ReadingtheMarkets.com "So how do you go about protecting yourself? Educate yourself, and here's an excellent starting point: It's Pat Huddleston's book, *The Vigilant Investor*." --The Retirement Plan blog "Who better to fill us in on the best way to protect ourselves from all the hucksters, cheats and villains lurking in the investment world than Pat Huddleston?" --Better Investing "...beautifully written, nicely edited and the author makes excellent point after excellent point, and—whew!—he details scams that make movies like *The Sting* come to life." --Life Insurance Selling "Before reading this book I wondered how so many people could fall for scams that seemed obvious...author shows that the scams aren't as obvious as they seem." --My Retirement blog "I would be hard pressed to find another book that is as extensive and loaded with so many insightful examples concerning the day-to-day reality of the investment world..." --Bookpleasures.com "...educate readers on what they don't know about how brokerage firms operate and on the red flags they should look for..." --Pittsburgh Post Gazette "...full of in-depth descriptions of investment scams, which are always fun, and also details dozens of quick and easy due-diligence tips." --Accounting Today "As Bernie Madoff's Ponzi scheme made painfully clear, investment fraud can strike almost anyone. Which is what makes *The Vigilant Investor* a fascinating and valuable read." --Wall Street Journal "Another excellent book is *The Vigilant Investor*... Take some time to read and protect yourself. You won't regret it." --Elliot Raphaelson, *The Money Game* column "From the Inside Flap According to the FBI, Americans are conned out of roughly \$40 billion dollars—the equivalent of one Madoff-sized mega-scam—every single year through investment fraud. Despite Congress's best intentions, recently strengthened laws aren't enough to stop the "professionals" intent on profiting from—or just plain stealing—your money. And with our increasingly "small," connected world, technology has enabled con men in Russia and Dubai to rob baby boomers, senior citizens, business owners, pension plans, and all other investors in America. Unfortunately, the information available to us through official sources is often dangerously incomplete, with many of the worst offenders going unidentified. Without arming yourself with the best strategies and information, it is all but impossible to tell a seemingly ethical adviser from a crook who's going to take your money and run. So what's the answer? Do we just stop investing? As an Enforcement Branch Chief at the Securities and Exchange Commission, author Pat Huddleston has witnessed countless people lose their life savings to reckless stockbrokers and fraudulent schemes. Now a court-appointed Receiver, CEO of a fraud prevention due diligence company, attorney for investors, and blogger on investment scams, Huddleston has intimate knowledge of how scam artists and bad brokers operate. In *The Vigilant Investor*, he explains why we fall for investment scams, how con artists play on the human tendencies we all share, and—most importantly—what we can do to protect ourselves from predators. Featuring gripping stories of actual cases, *The Vigilant Investor* blows up the popular myths and simplistic "do's and don'ts" of investing while sharing techniques you can use to perform due diligence even better than the "experts." The book examines key information from the science of decision-making, shedding light on why—despite all the warnings—so many people fall victim to investment fraud and unethical brokers. You'll read stories of how scammers prey on potential targets and how you can spot

fraud and guard yourself against financial catastrophe. As hard as they work and as dedicated as they are, regulators cannot keep you safe. This book puts the fascinating details of countless misdeeds at your fingertips, providing you with unparalleled practical insight and equipping you to protect your money from those who mean to separate you from it. PAT HUDDLESTON is CEO of Investor's Watchdog LLC, a fraud prevention due diligence company. He has been an SEC Enforcer, court-appointed Receiver, and investment attorney. A frequent guest on television and radio, he has been quoted in The New York Times, The Wall Street Journal, The Financial Times, The Washington Post, USA Today, Kiplinger's Personal Finance, Investment News, and many other publications. From the Back Cover ADVANCE PRAISE FOR THE VIGILANT INVESTOR: "Successful investing involves avoiding serious errors—winning by not losing. The Vigilant Investor shows us how to avoid explicit frauds and scams as well as to understand the conflicts of interest that can incentivize the financial community to enrich themselves at our expense. As a former top cop at the SEC, Pat Huddleston is the investor's perfect teacher." —Burton Malkiel, bestselling author of A Random Walk Down Wall Street "Concise, readable, and scary, The Vigilant Investor thoroughly exposes the underworld of investment frauds and fraudsters and offers pragmatic safety tips that can benefit even the most sophisticated investors. It's a must-read, particularly for investors and money managers who think investment fraud won't happen to them." —Jim Marshall, member of Congress, U.S. House of Representatives (2003–2011), Financial Services Committee; board member, National Futures Association "The Vigilant Investor is rich in anecdotes and wise advice. The anecdotes act like parables to teach you how the bad guys operate, and the advice arms you on how best to spot and avoid them. Author Huddleston also alerts us to our own biases that make us, rich and poor, vulnerable to scams." —Robert Frick, senior editor, Kiplinger's Personal Finance; author of Kiplinger's "Your Mind and Your Money" column "The Vigilant Investor is a must-read for anyone intent on avoiding a rogues' gallery of con artists posing as financial advisers. Pat Huddleston encourages investors to ask hard questions and plumb public records before taking a financial plunge, and he shows them how to do it. It's an eye-opener for anyone who mistakenly thinks flimflams only happen to other people." —Christopher Boyd, contributing writer, Wealth magazine