

Coach Pete

Welcome back into the Financial Safari, of course this is your weekly show folks, educating you on that wild and crazy financial world. Each and every week I like to go out and get a national author, a national person you've seen on the news or on TV, and this week we're lucky enough to have New York Times Financial Reporter, and author of the book, "The Wizard of Lies, Bernie Madoff and the Death of Trust." Her name is Diana Henriques. Diana, welcome in.

Diana Henriques

Thanks, Coach, great to be here.

Coach Pete

Well, it's a fascinating book you wrote there. You are – I think to this day you are the only reporter that has interviewed Bernie Madoff in Butner Prison twice, correct?

Diana Henriques

That's true, the only one who has interviewed him twice. A few others came along in my wake and got in to see him, but I was the first person to interview him in prison. That first interview was in August of 2010. It was fascinating.

Coach Pete

It's a fascinating financial world right now. Just the way that the markets go up and down, it's like watching a roller coaster, and because of that many people are afraid of the stock market, afraid of putting money anywhere, and Diana you would argue that those are the kind of people that fall for scams a lot of times.

Diana Henriques

I think that investors are more vulnerable to what I call a Madoff scheme, as opposed to a Ponzi scheme, right now than they ever were even in Madoff's heyday. That's because of the extremely low interest rate environment for savers right now. You know as well as I do, if somebody came along and said, "Listen, I've got this nice, safe, steady short-term bond fund, doesn't pay you a lot but it'll pay two, two and a half percent interest a year, most desperate savers would say absolutely, if it was coming from someone they trusted and admired and someone else they liked trusted them. That classic Ponzi scheme machinery these days is going to be trolling for the desperate saver who is trying to get just a little bit more money. I think you told me that people are taking money off-shore to try to get a little bit better returns which is to me even more alarming.

Coach Pete

We get a lot of questions from folks throughout the nation wanting to say, "Well, what about this Swiss annuity, or what about investing in Iraqi dinars because I'm going to be rich quick," and that kind of thing. There is no magic pill in the financial world, is there?

Diana Henriques

There isn't, and what's really concerning to me, to look at the lessons of the Madoff case for example, a lot of people living here were invested in Madoff, working here, but they invested through a feeder fund that as it happened was actually domiciled and incorporated in the Caribbean, in the British Virgin Islands, or in Luxemburg, in London. By doing that, they lost the protections of the US Court System, the US Prosecution System, and the US Bankruptcy System. Those funds are going bust down on some island paradise somewhere, far from the bankruptcy process here in New York. We're at an age right now Coach Pete where fraud has gone global, but prosecution and regulation hasn't. When you put your money off-shore, you're putting it beyond the protections of the US Regulatory Systems such as they are, and the US Court System. People need to be aware of what they're giving up when they take that step off-shore.

Coach Pete

Diane, we're in the information age these days which is good and bad. I mean anyone with a computer now can go on and find information out about any subject, but let me ask you this –

Diana Henriques

Yeah, and some of it's true.

Coach Pete

Just because it's on the internet doesn't make it true.

Diana Henriques

That's certainly true. You can find a whole variety of apocryphal stories about Bernie Madoff all over the internet. They drove me crazy when I was doing research for this book. Even now, when I'm out on the speaking tour for "The Wizard," which will be out in paperback in May; even now there'll be someone in the audience who said, "Didn't Bernie get beaten up in prison?" No, he didn't. That was an untrue story put out by inmates, flatly not true. "Didn't Bernie have pancreatic cancer?" No, he would be a medical miracle if he did because he's had it four years now without being treated. All kinds of information about him you'll see everywhere. People say, "Wasn't Ruth Madoff his bookkeeper? Surely she knew what was going on." She was never his bookkeeper, that's absolutely untrue, and yet it just gets recycled over and over and over on the internet. You're absolutely right. Some of the stuff on the internet is true, and heaven knows it's a great, helpful tool, but you've got to approach it with the same caution you apply to any of your daily affairs.

Coach Pete

Just when we were talking, I put in the term, "retirement planning" in Google and came up with – in less than 20 seconds with 12,300,000 hits of places I can go and learn about retirement planning.

Diana Henriques

As a financial planner, you have your work cut out for you, don't you?

Coach Pete

What I do, and then that's a good point because what I spend a lot of time with each and every week is dispelling the myths that people have heard, or the mistruths or the half-truths, and trying to educate folks on the right steps to take to a true retirement plan. It's tougher and tougher because I'm battling false information every day.

Diana Henriques

Yes, and I suspect you're also in this environment battling degree of suspicion and concern. People rightly should be concerned. People need to be cautious about Coach Pete just like any other great financial advisor. They need to be sure that they understand what services you're offering, and what your obligations are to them. Do you invest in things that use third party custodians or don't you? That's a big, important question people should asking you. What kinds of compliance arrangements do you submit to, and how reliable are they? I mean I've seen my sister and brother-in-law were just looking around at financial planners. One of the firms that they looked at I did a little poking into it and find out well, it's been around for a while. It's run by a very accomplished person.

She's the head of compliance and two of her senior people are her son and daughter-in-law. Mom might be a perfectly good person to look out for you when you're in kindergarten, but I think you need a different compliance arrangement than that when you're running a family firm. Certainly, Bernie needed a better compliance arrangement than he had at the Madoff firm, and that's one of the lessons we've learned from that. There are certainly excellent financial planners out there. Folks can find them and benefit from dealing with them, but the notion that worries me, and I'm sure it worries you, there's some silver bullet that you can find somebody and just shove all your financial affairs into their hands and never have to pay attention to them again. That's just the path to disaster, isn't it?

Coach Pete

Yeah, yearly monitoring, so important. Custodial accounts are important too. Folks, that means that you don't write the checks for your retirement to your advisor, you write it to a third-party holding company like a Fidelity or somewhere like that, Ameritrade, that kind of thing.

Diana Henriques

Yeah, a Fidelity or State Street, Banker's Trust, there are all kinds of good third-party custodians and most good money managers will use one. Bernie didn't. Bernie was his own custodian. If he hadn't been, his Ponzi scheme would have been impossible.

Coach Pete

Folks, we're talking to Diana Henriques. She is the author of "The Wizard of Lies." It's a hardcover book, "Bernie Madoff and the Death of Trust," and the paperback is coming out in May. Also she is a financial reporter for the New York Times. I read a lot of her columns whenever I can. I get the New York Times a lot when I'm on the road too by the way, in hotels. She does a fantastic job looking behind the scenes. Diana, that's important these days, more than ever, is understanding number one, what you're going to need in retirement, what you have now, and what you can do to make sure you have what you need in the future. I always say it's about strengthening your financial weaknesses. Not everyone is an expert, and not everyone has everything wrong, but you identify the places where you need a little help, and that's what you work on, correct?

Diana Henriques

I think that makes a lot of sense, and if you look at the experience, the sad, sad experiences of people who have been caught in the Madoff Ponzi scheme and in others. I mean you and I were talking earlier that it's horrifying that we have such a long docket of Ponzi schemes to chat about today, so many of them across the country. You look at people who got led into those. They were driving beyond their headlights, as we say in my business. They were taking so much on faith. Their trust in Bernie Madoff trumped everything else, and that might make a good marriage, but it doesn't make a good financial planning arrangement. You can't just take it all on faith, you can't just take it all on trust, and yet most of us do make our financial decisions that way.

You trust the brand name, you trust the Fidelity name. You trust the financial planner that lots of people you know have used and prospered with for years. We do tend to make a lot of these decisions on faith, and then once we've decided to trust somebody – this was so clear in the Madoff story. Once you decide to trust somebody, every little red flag that in hindsight is going to look so blaring, you're going to explain it away, or you won't even see it. Bernie was a master at disarming people's suspicions. If they'd say, "Bernie, I was wondering about this," he could give a perfectly plausible answer, and because they trusted him they never said, "You know, that doesn't make a lot of sense now that I think about it."

Coach Pete

You're right, that's so very important that people just pay attention. Now, here's a buzz phrase that I've heard and this is what we spend a lot of time educating people on by the

way. It's income planning for retirement. Where's the money going to come from, where should I put it now to make sure it will be there in a yearly check? Many people used to just throw money into an annuity and annuitize, which I call annuicide because then you just get a monthly payment that never goes up. You need to have proper laddering strategies in place using financial vehicles that are contractually guaranteed.

Diana Henriques

You're more of an expert at that than I would be. Important things, the big, top-line lessons that I think people can draw from, stories like the Madoff story, is just exactly the kind of advice any good financial planner would give them. Diversify your risks. Understand the risk that you're taking, and be sure you know how the person you're dealing with is getting paid for dealing with you. If you take care of those big, top-line rules and regulations, then a good financial planner can help you adapt your personal circumstances to your retirement wishes. To keep yourself safe, even in a well-regulated environment, to keep yourself safe you have to stick to those three commandments. You have to keep your eye on those big things. Then you won't go too far wrong on those. Every one of those rules was broken by everybody who wound up in Madoff's hands.

Coach Pete

DO you think many people are taking too much risk that they don't even realize they're taking.

Diana Henriques

I think certainly they are if they don't understand the risks that they're taking in Swiss annuities for Heaven's sakes. There's the currency risk, there's the off-shore risk, there's the risk of fraud. Yes, I think in many instances people delude themselves either that things are less risky than in reality they are, or thinking that they understand the risk, they've got their handle on the risk. The biggest fallacy that wove its way all through the Madoff story, Coach Pete is the notion that you can get a high yield with a low risk, high returns with a low risk. That's the Holy Grail. That's Shangri-La. That doesn't exist in the real world. The higher the return, the higher the risk. What everyone wanted and dreamed of and believed they had with Bernie Madoff was a good steady, eight, nine, 10% return with a low, low risk.

Sorry, if you're taking a low, low risk, you're going to be paid a low return. Treasury bills, safest thing you can put your money in. They pay you a quarter of a percentage point right now because they are so safe. Why would anybody pay you more money to take no risk at all? If they're paying you a lot of money, it's because you're taking a big risk. If people could understand that leg shackled relationship between risk and return, they wouldn't get in the kind of trouble that they got in with Madoff and that they can get into with other Ponzi schemes. I mean some of them are more outlandish than Madoff, like the scheme that Sir Allen Stanford allegedly concocted where the returns

were such that he probably should have been alert and aware.

Over time, the classic Ponzi scheme has offered sky-high returns, and they attract greedy investors, no doubt about it. The modern Ponzi scheme isn't like that, Coach Pete. It is a – typically it's going to sell you on consistency and safety, not on yield. It's going to attract the very, timid, risk-averse, frightened investors who will be least likely to understand the risks they're taking, and least likely to do the homework they need to do.

Coach Pete

I see so many people make mistakes because they're trying to chase that magic pill, like you said. In the weight loss industry, we always buy the magic pill to lose weight, and it never works.

Diana Henriques

Eat all you want and lose weight, same thing. Get all the return you can, take no risk. It's the same magical thinking.

Coach Pete

One of the things I've found in income planning, we do a lot of income planning for folks because they're worried about not outliving the money. That's one of the number one concerns in America these days is do I have enough to retire. If I am retired, is my money going to last my lifetime. The only place I've found that really did a good job, and unfortunately, there's too many of them out there, but there are some good annuity products that have that – US annuities by the way, US insured and regulated annuities which have an income attachment which you give a certain amount of money to the insurance company, and then you get income for the rest of your life. We use that in some laddering strategies and that works, but you're losing a little bit of control of your money because you've given it to the insurance company, but now they've promised that you'll never outlive money. That's a good trade-off in my opinion.

Diana Henriques

I can see your point on that, and obviously one of the blessings of living longer is that you do – we have to think differently. When I was younger the rule of thumb, I'm sure you know, was that the percentage of your assets, your liquid assets that should be in fixed income should equal your age. If you're in your 60's you ought to have 60% of your assets in fixed income. That probably was true when people died at 70. It may not be true if people are living to 85. We need to realize that demographics are changing what's happening, and just getting back to the entry point here, demographics are changing how vulnerable people are going to be to the kind of scams that are out there.

Boom times, bad times, fraud is a constant. Ponzi schemers don't need a bull market, they're not deterred by a recession. In fact, right now we're seeing the crack-up of a

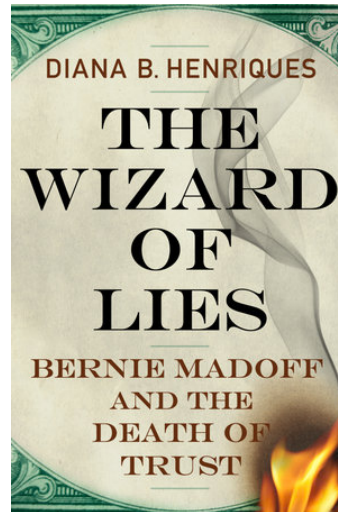
number of Ponzi schemes that actually started after Madoff's arrest. These are Ponzi schemes that opened their doors for business, flourished like crazy through the worst recession since the great depression. Clearly, the fact that we're in hard times, doesn't mean that the con artists aren't out there trolling for new business.

Coach Pete

Yeah, you're right. Folks, her name is Diana Henriques. She is a New York Times Financial Reporter and author of the book, "The Wizard of Lies: Bernie Madoff and the Death of Trust." Paperback's going to be out in May. Diana, I'd love to have you on again in May, and we'll talk about what's happened between now and then.

Diana Henriques

There will be some new updates in that, and I'd be delighted to do that, Coach Pete. Thanks for having me today.



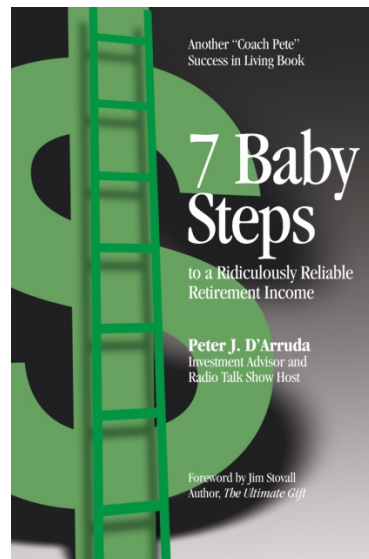
Diana B. Henriques, an award-winning financial journalist, is the author of *The Wizard of Lies*, a *New York Times* bestseller about the Bernie Madoff scandal, and three other books on business history. As a writer for *The New York Times*, she has largely specialized in investigative reporting on white-collar crime, market regulation and corporate governance.

Ms. Henriques was a member of a reporting team that was named a Pulitzer finalist in 2003 for its coverage of the aftermath of the Enron scandals. She was also a member of a team that won a 1999 Gerald Loeb Award for covering the near-collapse of Long Term Capital Management, a hedge fund whose troubles rocked the financial markets in September 1998.

Ms. Henriques is the author of a book about the Bernie Madoff scandal, *The Wizard of Lies*. An avid reader and reviewer of financial histories, Ms. Henriques is also the author of three other books, including *Fidelity's World: The Secret Life and Public Power of the Mutual Fund Giant* (1995) and *The White Sharks of Wall Street: Thomas Mellon Evans and The Original Corporate Raiders* (2000), both published by Scribner's. Since an injury more than 10 years ago, Ms. Henriques has used voice-recognition software for all her major writing projects and has coached more than a dozen injured writers at other publications on making the transition to voice-recognition writing.

Henriques has been awarded a Ferris professorship in writing at Princeton University for the 2012-2013 academic year and is a frequent guest lecturer for business journalism classes and workshops elsewhere. In 2003, she was elected to the board of governors of the Society of American Business Editors and Writers (SABEW), and in 2011, she was elected to the board of trustees of The George Washington University in Washington, D.C.

"Coach" Pete D'Arruda



Peter J. D'Arruda is President of the IARFC (International Association of Registered Financial Consultants), an Investment Advisor, and has been in the financial arena for nearly 25 years. He is the founder at a financial firm designed to help his clients "***Cross the street of life.***" At Capital Financial Advisory Group, LLC he and his team strive to help their clients take the worry out of living in retirement. Known as "COACH PETE" to most of his clients, Pete has made it his lifetime goal to assist his clients in achieving the levels of success they desire.

He has authored 6 books and co-authored 2. Two of his books have reached the best-sellers list on Amazon. The most noteworthy book, Successonomics, is one that Coach Pete co-authored with Steve Forbes. But, by far, his favorite book just happens to be his most recent, "7 Baby Steps to a ridiculously Reliable Retirement Income"

Each week he hosts the wildly popular, nationally syndicated, Financial Safari radio show, heard by millions each year. You can listen to past shows on iTunes and by visiting FinancialSafari.com He has just been named to the prestigious Forbes Leadership Council and will be submitting at least 6 articles a year to Forbes for their readers' print and web enjoyment. He graduated from The University of North Carolina in 1988.

Coach Pete is WINNER OF:

2 EMMYS

2 Quillys (best-selling author award)

3 EXPYS

He is a proud father of daughter, Caroline, age 11 with his wife, Kim.