



# “Safe Money Report”

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## **Stockbroker or Financial Advisor Abuse or Problems? Follow These Key Tips**

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### ***1 - Warning signs that an investor should look for:***

A-Did you lose a substantial portion of your nest egg?

What is “substantial”, measured by percentage, will vary depending upon the age and level of sophistication of the individual. Brokers and brokerage firms owe an increasingly higher standard of care to investors who are older and/or less sophisticated. If an investor has lost 1/3 or more of his retirement funds, he would be wise to consult with someone knowledgeable in handling claims involving stockbrokers.

B-Has your account been subjected to “unauthorized” trading ?  
Are you receiving “too many” purchase and sale confirmations?

Every time a security is purchased or sold, a confirmation is sent to an investor advising him of the security bought or sold, the number of shares, the price and the commission. Confirmations are generally received within a day or two of the transaction and are in addition to the monthly statements for the account. In nearly all instances the

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broker is required to obtain the investors permission to make the purchase or sale. If trading is being in an account without permission, the investor may be a victim of “unauthorized trading”. If the account is overly active, meaning that there are too many purchases and sales for the needs of the particular investor, the account may have been subjected to “churning”.

### ***2 - What can an investor do if he thinks his account has been abused?***

After a problem has arisen: The National Association of Securities Dealers (NASD) and the major exchanges (including the American, New York, Pacific exchanges) administer an arbitration forum where investors may pursue remedies for damages done to their brokerage accounts. Consult with an attorney who specializes in such matters to determine if there is an actionable claim. While the arbitration process is considerably faster and not as costly as state or federal court litigation, an investor should not attempt to undertake this process on his own.

### ***3- An investor should do some “due diligence” before he entrusts his nest egg to anyone.***

When choosing a broker take some common sense steps. Ask for some references and try to get the names of some people that you know and trust. Then speak with those people to see what they have to say about the broker as well as the firm. For many people the funds they entrust to their broker represent a life savings, so the decision should not be taken lightly. Finally, obtain the CRD for the broker.

CRD stands for Central Registration Depository and the NASD as well as most state security agencies maintains it. It is free. On the CRD you will find the employment, educational, registration history, disciplinary record and customer suits and complaints



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for the broker you are considering entrusting with your life savings. If the CRD contains matters that concern you, ask the broker about it, before you engage his services.

*Epilogue:* We recently met an 80 year-old lady who lost over half of her life savings as a result of broker abuse. The CRD for that broker reveals a history of customer complaints and suits, regulatory fines and suspension and termination for cause from his two prior firms. When the elderly lady saw this report she was astonished and, naturally, said she never would have entrusted him with her life savings had she been aware of all this.

To obtain a CRD, call the NASD at 800-289-9999. Give them the broker’s full name and the name of his firm. There is no charge for this. In addition you can contact the securities administrator at the secretary of the state where you live.

*Steve*

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“The Investor’s Advocate”  
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