

Don't Expect Government Oversight to Keep You Safe, a Former Enforcer Says

You're the First Line of Defense Against Scam Artists

by Angele McQuade

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, attorney and former Enforcement Branch chief for the Securities and Exchange Commission. Now founder and CEO of a company that runs fraud investigations, Huddleston offers us the insights gleaned from his experience in *The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments*.

Don't expect government regulations and oversight to keep you safe, Huddleston warns. Limits on the various enforcement agencies' powers and budgets mean they can't protect against every threat. Even if con artists are caught and prosecuted, the money they've stolen is rarely recovered or returned.

Think you're too smart to be fooled by fraud? "Well-educated, financially savvy investors fall for scams more often than those with less financial knowledge," the author says, meaning it's critical we inspect potential investments for signs of fraud as much as we do attractive returns. "If you have questions and you do not get answers, think of the investment as dead to you."

Be especially alert for advisers who prey on those with backgrounds, interests or spiritual beliefs similar to their own. "Fraud aimed at religious groups is so virulent and effective," Huddleston says, "that the only safe course is to refuse to consider any investment pitched by even a subtle appeal to your faith."

What I liked: The book's ringing endorsement for a nationwide community of vigilant investors "committed to practicing the disciplined due diligence methods in this book, to alerting regulators and to warning others when they discover danger." Huddleston envisions not just an educational effort but a true social movement aimed at pro-

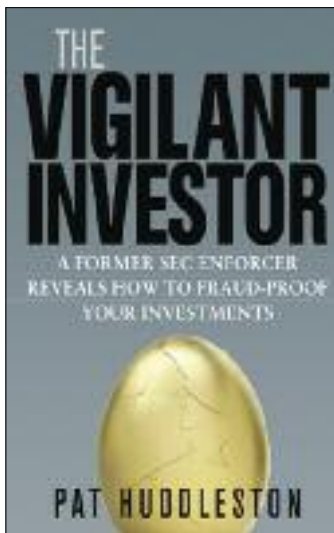
tecting not only our own accounts, but also those of people we'll likely never meet, simply by paying attention and sharing information.

What I loved: His flair for storytelling.

The Vigilant Investor is filled with numerous tales of financial scams and scam artists, including some he investigated personally. Although the stories serve to illustrate Huddleston's main points, he writes with such dramatic flair he'd be a natural at suspense fiction (with a financial fraud twist, of course).

Advice worth the purchase price all on its own: The chapter devoted to the five main types of scam artists — including Bunglers, Golden Boys and Career Criminals — and how to protect yourself from them. Once you've read Huddleston's thorough descriptions of each type's identifying traits and typical operating moves, you'll be far better prepared to spot the red flags of a con before you get sucked in.

Trust your instincts, too, he tells us, especially if you get a bad feeling about an investment, adviser or even brokerage statement. "You may not be able to articulate that feeling," Huddleston says, "but you should listen to it." Listen, and then investigate and act on what you find. Your persistence may end up saving your own — plus someone else's — hard-earned nest egg, an awfully valuable reward for just a little extra vigilance. **B**



The Vigilant Investor: A Former SEC Enforcer Reveals How to Fraud-Proof Your Investments, Pat Huddleston, AMACOM (October 2011), hardcover, 256 pages, \$24.95

Websites of Interest

Investor's Watchdog

www.investorswatchdog.com

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