

FATAL FUNDS

A FINANCIAL THRILLER ABOUT LIFE, MONEY, INVESTING AND
THE THREAT OF LOSING ALL OF YOUR SAVINGS



Dedicated to Investors Who've Been Harmed by a Financial Advisor

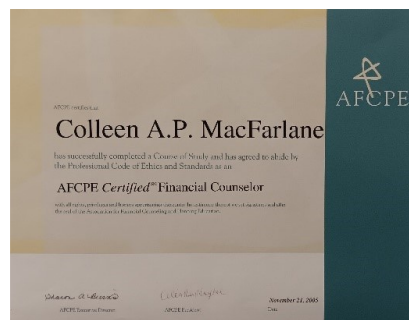


--My presentation will provide viewers with key information about the good, the bad, and the ugly of investing activities. Fatal Funds is based on true events; however, names have been changed to protect the innocent.

--First, A confession. I've been fascinated about investing for as long as I can remember.

--Hence, Fatal Funds, a financial thriller was written. Through the eyes of my protagonist, you'll learn about scams, asset allocation, fee structures, expense ratios of mutual funds, how to assert yourself, questions to pose to a financial planner before hiring, and the importance of conducting your own due diligence – Pay Attention, or Pay Dearly!

A Brief Introduction



Master of Art degree in Counseling Psychology, and a career as a Licensed Independent Clinical Soc. Worker

MBA in Personal Financial Planning

Previous member of AFCPE and Accredited Financial Counselor - **Association for Financial Counseling & Planning Education® (AFCPE®).**

Certified Fund Specialist

Licensed Substance Abuse Counselor & Previous member of professional boards & chaired numerous Ethics hearings resulting in sanctions against licensees.

Why Fatal Funds, the Novel?



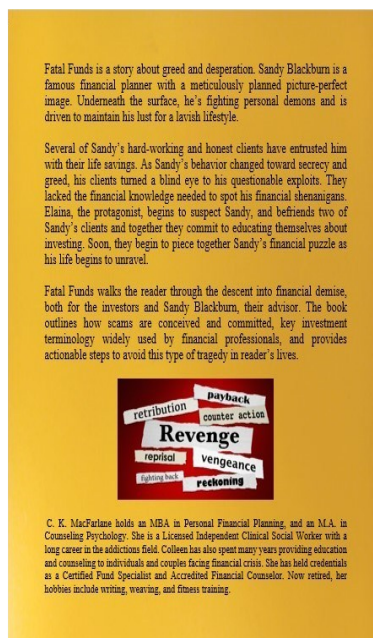
--My novel happened as the result of my personal interactions with financial planners. The villain in my book reflects a composite of several planners whom I have met, known or been a client of.

--I've become an advocate on behalf of investors.

--The messages in FATAL FUNDS? Buyer Beware; Importance of conducting your own due diligence, even regarding financial planner recommendations.

--Avoid free dinners, where you'll hear three famous words: YOU NEED ME, implying that investing is simply too complicated for the average investor to understand or implement.

Falling Victim to Unscrupulous Financial Planning Schemes



--The back cover of Fatal Funds provides a peek into Sandy Blackburn's life. He's fighting personal demons and begins a downward spiral, personally and professionally.

--Elaina, the protagonist, is derailed by a mysterious illness and doesn't have the time to carefully watch her investments.

--Undeterred, her planner, Sandy Blackburn, pushes high commission investments to Elaina and her husband, Ben.

--Sandy is aloof regarding Elaina's illness. He uses her hospitalization to convince Ben to invest in his faulty recommendations, obviously a conflict of interest.

Bureau of Labor Statistics



--I begin my prologue with the following startling statistics:

--There are approximately 300,000 financial advisors in the United States

--7% were sanctioned between 2005– 2015

--This number is too high. Arm yourself with information that avoids being scammed.

--Average settlement to investors who file complaints is \$100,000.

--It is important that everyone understands that you do not have to be wealthy to get ripped off!

--NEVER assume this can't happen to those who invest only a small amount.

--People invest the amount they can afford and can never afford to lose their entire amount.

--The loss tears at the heart & trust placed in the planner.

--The time and money has also been lost if a better alternative had been selected. This is referred to as opportunity cost.

Sometimes It's Difficult to see the Wolf in Sheep's Clothing



--Life throws us curves. In Elaina's case, it's an illness that forces her to stop working.

--Their household income falls dramatically, yet she & Ben continue spending as usual.

--Fatal Funds examines the spending styles in couples and their marriage.

--Their investments with Sandy have done poorly, yet he convinces them that they are doing well and promises Elaina and Ben that they are covered. "No problem," he tells Ben repeatedly.

--Behind the scenes, he's focused solely on making another sale with large commissions

--Sandy convinces Ben to sign a document that allows him to make trades at will w/o calling Ben or Elaina first. Ben signs the document. **I recommend that you never do this.**

--With signed document in hand, Sandy purchases stock, and then begins churning (illegal) within their accounts.

--Sandy also reportedly invests their money something called a private placement – illiquid & fake.

Be Prepared for Emergencies



--Elaina's story is a great one for why one must be prepared financially. After what was intended to be a rejuvenating vacation; Elaina returns home and becomes increasingly ill.

--The exact nature of the emergency doesn't matter. What DOES matter is being prepared.

--When you suffer a sudden loss of income, you must adjust your spending downward as quickly as you are able.

--Be sure you have 1 – 2 years in cash or liquid investments that you can access immediately.

--Any investment professional will ask you about your cash flow. Prepare yourself with a detailed worksheet detailing where all of your money goes!

The Financial Management Plan

Financial Management Plan (FMP)

Name: _____ Date: _____

| Monthly net income after deductions | Current | Change | Revised | Monthly basic expenses | Amount | Payment |
|-------------------------------------|---------|--------|---------|-------------------------|--------|---------|
| A. Your income | | | | 1st due mortgage/rent | | |
| B. Other person's income | | | | 2nd due mortgage | | |
| C. Support / alimony | | | | 1st due utility #1 | | |
| D. From other source | | | | 2nd due utility #2 | | |
| E. Payroll savings (auto deposit) | | | | 1st due utility #3 | | |
| F. Total monthly net income | | | | 2nd due utility #4 | | |
| 401(k) 403(b) TSP contribution * | | | | 1st due vehicle part #1 | | |
| | | | | 2nd due vehicle part #2 | | |
| | | | | Total paid due | | |

| Monthly basic expenses (continued) | Current | Change | Revised | Unsecured debt credit card/personal loan/medical loan/other | Amount | Payment |
|--|---------|--------|---------|---|--------|---------|
| Mortgage / Rent | | | | 1st due credit card | | |
| 2nd mortgage / equity loan / line of credit | | | | 2nd due credit card | | |
| Unsecured debt | | | | 3rd due credit card | | |
| 1st mortgage balance | | | | 4th due credit card | | |
| 2nd mortgage balance | | | | 5th due credit card | | |
| 1st auto / loan balance | | | | 6th due credit card | | |
| 2nd auto / loan balance | | | | 7th due credit card | | |
| Equity | | | | 8th due credit card | | |
| Property tax | | | | 9th due credit card | | |
| Association fees | | | | 10th due credit card | | |
| Home owners / renters insurance | | | | 11th due credit card | | |
| Home maintenance | | | | 12th due credit card | | |
| Heating fuel / Nat Gas | | | | 13th due credit card | | |
| Electricity | | | | 14th due credit card | | |
| Telephone - land line | | | | 15th due credit card | | |
| Cable internet phone | | | | 16th due credit card | | |
| Cell phone | | | | 17th due credit card | | |
| Water / sewage | | | | 18th due credit card | | |
| Trash | | | | 19th due credit card | | |
| Groceries & household goods | | | | 20th due credit card | | |
| Meals out / coffee / snacks / lunches / dinner | | | | 21st due credit card | | |
| Child care / adult care / others | | | | 22nd due credit card | | |
| Child support / alimony payments | | | | 23rd due credit card | | |
| Vehicle part / lease | | | | 24th due credit card | | |
| Vehicle part / lease | | | | 25th due credit card | | |
| Gasoline / fuel | | | | 26th due credit card | | |
| Vehicle maintenance | | | | 27th due credit card | | |
| Vehicle insurance | | | | 28th due credit card | | |
| Vehicle registration | | | | 29th due credit card | | |
| Public transportation / parking / tolls | | | | 30th due credit card | | |
| Life insurance (outside of work) | | | | 31st due credit card | | |
| Medical expenses (out of pocket) | | | | 32nd due credit card | | |
| Dental / vision expenses (out of pocket) | | | | 33rd due credit card | | |
| Medications / prescriptions | | | | 34th due credit card | | |
| Laundry / dry cleaning / drycleaning | | | | 35th due credit card | | |
| Clothing | | | | 36th due credit card | | |
| Entertainment / hobbies | | | | 37th due credit card | | |
| Grooming / beauty / salon / etc. | | | | 38th due credit card | | |
| Tobacco | | | | 39th due credit card | | |
| Alcohol | | | | 40th due credit card | | |
| Gifts / birthday / holiday / special occasion | | | | 41st due credit card | | |
| Charitable / giving / donations | | | | 42nd due credit card | | |
| Health / beauty / haircuts | | | | 43rd due credit card | | |
| Pet care | | | | 44th due credit card | | |
| Professional services / union dues | | | | 45th due credit card | | |
| Vacation / travel | | | | 46th due credit card | | |
| Education / tuition / lessons | | | | 47th due credit card | | |
| Other expenses | | | | 48th due credit card | | |
| Emergency fund | | | | 49th due credit card | | |
| Unsettled expenses | | | | 50th due credit card | | |
| House cleaning / pest control / other | | | | 51st due credit card | | |
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| SPENDING MONEY | | | | 100th due credit card | | |

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--This is a picture of the cash flow monthly plan that I used with all of my clients.

--Important to complete each line item accurately by reviewing past receipts.

--Include everything: Credit card balances + interest rates, auto repairs, home upkeep, gifts, etc.

--100% of my clients underestimated money spent on groceries and dining out.

--Married couples fight about money. Chapters in my book focus on this, i.e., money styles, secrets, and meeting with an Accredited Financial Counselor. This benefit is often available through your employer's Employee Assistance Program; often three visits at no charge.

--If you find that, because of high credit card balances and rising interest costs, you need to enroll in a debt repayment plan with a credit counseling agency, I recommend you search through www.nfcc.org, and look for Consumer Credit Counseling Services – this name exactly as I've written it.

--Financial Infidelity – If you stonewall your spouse when s/he asks about your spending then you are guilty of financial infidelity. Financial Infidelity can be overt or subtle, continuous or sporadic, and costly or trivial.

--Financial Infidelity is not being up front with your partner about money and keeping secrets that will damage your marriage. Ex: hiding credit card statements, spending after promising to stop.

Red Flags of Unethical Financial Planners



--I've written a brief paper that touches on getting prepared for your first meeting with a financial planner and red flags that tell you it's time to walk away if you spot these red flags. The paper is on my website and you are welcome to download it for free: www.colleenbooks.com

--Check under the 'newsletter' tab for the article titled **Financial Musts with Financial Advisors**.

--S/he is dismissive, offers a guaranteed high return with no risk, "this is a sure bet", is a salesman more than a counselor, does not make direct eye contact, pushes you to agree to purchase on-the-spot – giving you no option to go home, think, and conduct your own research, and s/he does not listen well.

--Is lax on attending to the tax efficiency in your portfolio, displays no interest in educating you about key investment terms, seems to show little regard about your stated risk tolerance, selling securities that only yield him or her the highest commission, never mentions his or her 'take' on the sale nor expense ratio, pushes only actively managed funds because s/he states they have this keen intuitive sense about picking only the best funds.

--You have the right to demand attention to all of these issues. It demonstrates to the planner and yourself that you are paying attention and actively involved in your investment decisions.

CYBERSECURITY

| USING CHATGPT HARDWARE TO BRUTE FORCE YOUR PASSWORD IN 2023 | | | | | |
|---|--------------|-------------------|-----------------------------|--------------------------------------|---|
| Number of Characters | Numbers Only | Lowercase Letters | Upper and Lowercase Letters | Numbers, Upper and Lowercase Letters | Numbers, Upper and Lowercase Letters, Symbols |
| 4 | Instantly | Instantly | Instantly | Instantly | Instantly |
| 5 | Instantly | Instantly | Instantly | Instantly | Instantly |
| 6 | Instantly | Instantly | Instantly | Instantly | Instantly |
| 7 | Instantly | Instantly | Instantly | Instantly | Instantly |
| 8 | Instantly | Instantly | Instantly | Instantly | 1 sec |
| 9 | Instantly | Instantly | 4 secs | 21 secs | 1 mins |
| 10 | Instantly | Instantly | 4 mins | 22 mins | 1 hours |
| 11 | Instantly | 6 secs | 3 hours | 22 hours | 4 days |
| 12 | Instantly | 2 mins | 7 days | 2 months | 8 months |
| 13 | Instantly | 1 hours | 12 months | 10 years | 47 years |
| 14 | Instantly | 1 days | 52 years | 608 years | 3k years |
| 15 | 2 secs | 4 weeks | 2k years | 37k years | 232k years |
| 16 | 15 secs | 2 years | 140k years | 2m years | 16m years |
| 17 | 3 mins | 56 years | 7m years | 144m years | 1bn years |
| 18 | 26 mins | 1k years | 378m years | 8bn years | 79bn years |

 > Learn how we made this table at hivesystems.io/password

--Laws exist requiring financial planners to follow cybersecurity regulations. In Fatal Funds, Elaina's account is hacked because her financial planner was making trades on his cell phone. This is legal, as long as planners follow compliance regulations and make sure their cell phone records are provided to the applicable regulators.

--Sandy, the villain in Fatal Funds, ignored these regulations. All firms are required to have a WISP, which stands for Written Information Security Plan. WISP is a plan that should document appropriate administrative, technical and physical safeguards to protect client's private information.

--A main point is that all devices containing any private information are required to be encrypted. FATAL FUNDS chapter titled HACKED!, can be read for free on my website, www.colleenbooks.com, for further details.

--Regulatory authorities will sanction advisors who are lacking STRONG passwords. **If you do nothing else today, look at this chart & commit to yourself to ensure that all of your passwords contain at least 18 characters, & ask your planner for their written WISP.**

Expense Ratios in Stock and Bond Funds



--Definition: An expense ratio covers all the costs of running a mutual fund, including management, marketing, and administration. It's usually expressed as a percentage of the fund's average net assets.

--Index funds, commonly referred to as passive funds, are the least expensive and follow an index and can be as low as .04.

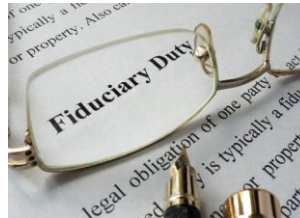
--Actively managed funds are overseen by a particular manager(s) at a fund agency with the intent of beating the market index. Rarely does this happen, and it is impossible to predict which fund and which year any particular fund or manager will outperform. They typically trade more often, which increases the cost to you as the fund holder.

--The difference between .04 percent that an index costs and 96 percent for an actively managed fund can add up to a sizeable amount of money over a period of twenty years.

--I've used sample funds to demonstrate potential savings. You can find this calculator on www.finra.org. Keep in mind, that for comparison's sake, both funds are presumed to yield the same return. Fund X earning 8% that charges .04 every year vs. Fund Y that also earns 8% but charges .96% annually.

--The result? Over a twenty-year period, the cost of Fund X cost the investor a total of \$1,893. For Fund Y, with an expense ratio of .96, the cost is \$40,570 = a difference of \$38,677 that is kept out of the investor's pocket and in the hands of the mutual fund company.

Fiduciary Duty



--Simply explained; less so in practice.

--When a financial planner claims to be a Fiduciary, it means that s/he puts the client's best interests first in any and all recommendations that they make to you when considering a purchase.

--Fiduciaries must avoid conflicts of interest, such as selling an annuity to benefit themselves or another party rather than the beneficiary.

--Many organizations have fought against this standard over the past ten years, suits have been filed, some lost, some won, and what has evolved has become a political hot potato.

--If a fiduciary is also an annuity agent or stands to gain from the sale, this could be a violation of their fiduciary duty.

--What do you do as an investor if rulings change about this concept? Continue to demand that your planner act in the capacity of a fiduciary and ask for this promise in writing – and then read the small print.

Asset Allocation



--Asset allocation is the primary driver of a portfolio's performance over time.

--The main goal of asset allocation is **to minimize volatility and maximize returns**.

--Making this decision requires that you take into account your age, portfolio confidence, risk tolerance and time horizon. Allocating investments across the primary asset classes (stocks, bonds, and cash) provides an appropriate balance between short-term stability and long-term growth potential.

--Financial planners frequently recommend using the formula of 120 minus your age. 120 minus 50 years of age means that the recommendation is to put 70 percent of your portfolio in equities and 30 percent in fixed income, including cash.

SCAM ALERT



--In Fatal Funds, as in real life, villains are fighting their personal demons have developed the skill of keeping secrets;

--Once in over their heads, scammers take their client's money, lie, and deposit the money directly into their own checking accounts. They buy time by manufacturing fake brokerage statements.

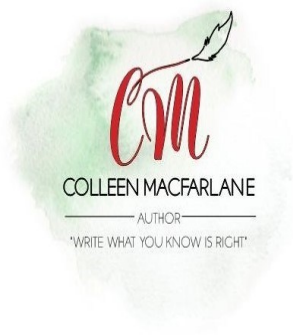
--One tactic is telling clients they can guarantee a high interest rate on a Certificate of Deposit that is promised to be safe. In actuality, there is no IRA. The trusting clients believe.

--Selling annuities is big business, with big commissions for the financial planner. Annuities are an insurance product and come in a variety of packages. They can be complex products and difficult to understand. Layered fees, often with commissions to the selling planner each year. Conduct thorough research on the insurance co. and the product.

--Check with www.sec.gov; www.finra.org, or your State's Commerce division. Do not buy an annuity if you do not need one. Annuities might be an appropriate investment vehicle for the client who fears he or she will outlive their savings. If you as an investor have enough savings to give you confidence that you will NOT outlive your money, you likely have no need for an annuity. If you are seeking investment options, there are choices that are much less complex and far less expensive.

--Ponzi schemes are alive and well in today's investment climate. According to a highly-regarded newsletter, Investment News, fourteen new Ponzi schemes were discovered in April 2024 alone. Ponzi schemes are a type of investment fraud in which **investors are promised artificially high rates of return with little or no risk**. Original investors and the perpetrators of the fraud are paid off by funds from later investors, but there is little or no actual business activity that produces revenue.

Resources



--www.sec.gov

--www.finra.org

--Secretary of State Office, or www.irs.gov provides information on annuities,

--Document available from the Minnesota Attorney General's office on Annuities

<https://www.ag.state.mn.us/consumer/Publications/AnnuitiesUnsuitableInvforSeniors.asp>

--For a review on the case made in favor of diversification, the following information for 2024 is available: https://www.mfs.com/content/dam/mfs-enterprise/mfscom/sales-tools/sales-ideas/mfsp_20yrsa_fly.pdf

--For additional explanation on Fiduciary Duty: www.investopedia.com

--Research firms such as: www.morningstar.com, www.yahoo.com, www.bogleheads.org

--Keep up to date with recent headlines by following my blog: www.colleenbooks.com/blog