

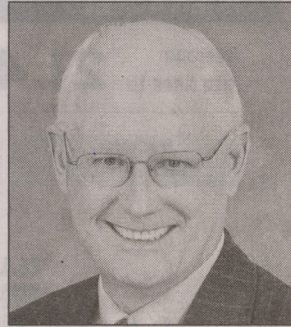
YOUR PLAN

Investors wise to diversify, use due diligence on advisers

The Dodd-Frank Wall Street Reform and Consumer Protection Act has no provision that reduces investor risk or that protects investors from losing money.

Most of the act directs agencies to develop rules over financial companies that are “too big to fail,” and that offer investment products without full disclosure. This is why lobbying represented battles among behemoths, with little input from you and me.

Title IX, the “Investor Protection and Securities Reform Act of 2010,” creates an advocate and ombudsman to work on behalf of individual investors. It also provides legal protections for “whistle blowers” who detect and report mismanagement or fraud. Unfortunately, fraud, mismanagement, self-dealing, Ponzi schemes, and diversion of funds cannot be detected until they have taken place. Regulators detect evil after the



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evil is in place —after one or more investors have been cheated.

My industry, the finan-

cial planning industry, successfully promoted a provision requiring a study, and potential rule making, to impose a universal “fiduciary standard” on all providers of financial advice. The standard is defined as “placing investors’ interests first.” While theoretically laudable, no law or regulation affects the conscience of an adviser.

Bottom line: find ethical advisers, diversify, act with prudence, and avoid that which is too good to be true.

★ This column is provided by the Financial Planning Association of Greater Indiana.