

Arcadia and Bernie Madoff

How do you know you can trust your investment advisor? Is it possible that you're being set up to be swindled out of your lifetime savings nest egg? More specifically, how do you know you can trust Arcadia Investment Advisors?

The news this past year has included way too many tales of trusted financial advisors who were ready and anxious to steal as much money from as many people as they possibly could. Anyone who works with an investment advisor, financial planner or other trusted consultant regarding financial matters, should be absolutely certain they are not being victimized.

We'll start by telling you how Arcadia and Bernie Madoff's firm appeared to be similar before Madoff's demise. Both firms were required to register with the Securities Exchange Commission (SEC) and with states in which they did business. Both were subject to regulation and audit by the SEC and state agencies. Both were in fact audited by the SEC and received clean report cards.

Arcadia is comprised of hard working people who know their jobs and perform them skillfully and reliably. We offer financial advice and service based on our many years of collective education, research and experience. We have clients who have known and trusted us for over 30 years. Our staff all have warm smiles, firm handshakes and friendly demeanors. We have never been found guilty of or even been accused of any wrongdoing.

We could go on at length to list ways that Arcadia possesses characteristics that appeared to be shared by Bernie Madoff. But, we all found out that Madoff was a consummate Ponzi schemer who spent most of his time stealing money and then covering his tracks. So now we're back to our original question. How do you know your money is safe when it is managed by Arcadia?

A very important difference between Arcadia and Madoff is that Madoff had custody of client assets and Arcadia does not. Our clients have accounts at Charles Schwab & Co. which serves as the custodian and holds all our clients' assets. Our clients provide us with a limited power of attorney granting us the authority to make trades and manage the accounts and collect our management fee from the account. We have no other authority over our clients' money. We send statements at the end of each quarter to all our clients which show the amount of money that is in the managed accounts as of the end of the quarter. Schwab also sends statements showing account balances at the end of the quarter. These independently produced statements show the same balances as the Arcadia reports, providing ongoing assurance that the funds are safely in the hands of a nationally known and highly regarded custodian. Arcadia clients are also able to check their account balances online or by telephone directly with Schwab as frequently as they wish.

Other assurances of safety include that we were audited by the SEC in 2002 and received a completely clean bill of health. Since that audit we have hired outside consultants to conduct a “mock” audit of Arcadia each year. The consultants come into our offices and audit our procedures in the same way the SEC will when they return for their next surprise audit. We have thus obtained ongoing assurance that our staff is following required procedures and that Arcadia is abiding by the laws and regulations designed to protect clients from wrongdoing. We also hired our CPA firm to come in last year and review our internal accounting controls. And if all else fails, Arcadia has insurance to reimburse clients if malfeasance on the part of Arcadia were ever to occur.

As the custodian of client funds, Charles Schwab also has internal controls designed to detect any signs of illicit activity on the part of Arcadia or Schwab employees. If a Schwab employee were ever to embezzle money from a client, Schwab has insurance to the extent of \$500,000 per account and an umbrella policy beyond that.

In summary, we believe Arcadia is organized and managed in a way which provides an extremely high level of safety and peace of mind for our clients. Please contact us if you have any questions or comments about any aspect of our operations.