



Will The Feds Target You For Huge Fines And Prison?

Harold F. Chorney, TIA, RFC

In the early 1950's, before the days of owning a TV, my brothers and I used to sit around the radio on a Saturday morning and listen to a program called *Let's Pretend*. This wonderful show was the life work of a lady from Kansas, Nila Mack. She felt that the best way to tell a children's story was for the children to tell it. Nila Mack trained and directed generations of child actors, who played the parts of characters their own age up to 80, 90, or even 100-years old.

As children, we identified with these characters' voices and used our imaginations to view in our mind's eye the story that was portrayed. In these stories, there was often a central theme involving a struggle of good and evil. Though evil would often be winning at the beginning of the story, by the time the story would end, goodness always triumphed.

Back then, things were very different. For example, my family never locked the doors to our home when leaving. Gasoline was only twelve cents a gallon. Other things seemed affordable. Even a young couple could put a down payment on a new home. No one in my family liked to owe anyone any money. We had no credit cards, so we never bought anything on credit. Some families looked up to their rich relatives, like my uncle Louie, as being the smart one's because certain people had made a lot of money in printing or some other business. Our family did not have a formal financial advisor because we had no money to invest -- *we were just trying to stay afloat*.

Mister Snyder Was Our "Insurance Man!"

When it came to questions about savings and insurance, my mother use to talk with Mr. Snyder, our "insurance man," who came to our house every week or two to collect money. He marked the payments for our endowment policies in his little books. Irving Snyder was the closest thing we had to a "financial advisor". There were no formal groups of financial professionals to seek advice from with the exception of an attorney or

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a local banker. Imagine if something went wrong with one of their recommendations, would we be suing our own local banker, attorney or uncle Louie? Absolutely not!

How times have changed! My late friend Loren Dunton would be astounded at the growth of the financial planning practice that he founded. Today, the financial professional industry is huge, and the designations of its members are numerous. There are still insurance agents, but there are also **NASD** Registered Representatives; Registered Financial Consultants (**RFC**) Certified Financial Planners (**CFP**); Registered Investment Advisors (**RIA**); Chartered Life Underwriters (**CLU**); Chartered Financial Consultants (**ChFC**); Certified Public Accountants (**CPA**) as well as others who are involved in our financial lives.

Many of these professions seem to be involved in our lives because of tax preparation or for some tax related incentive or consequence. **The long and short of it all is that litigation is rampant and the same trust and respect we once had for the Mr. Snyder's in our life no longer exists!** This lack of trust and respect is a trend that is not just limited to our financial world. Experience teaches us when we, or our neighbors, fail to lock our doors that bad things tend to happen. The same trust and respect we once had for the leaders of our government and its institutions also have eroded. In your "real" world, not the world of "pretend", the James Baldwin statement in *No Name in the Street* is quite true.

"If one really wishes to know how justice is administered in a country, one does not question the policeman, the lawyers, or the judges. One goes to the unprotected—those precisely, who need the law's protection most, and one listens to their testimony."

James Baldwin

My name is Hal Chorney. My peers and friends often call me "The Chorn." For the decades of the 70's through the 90's, I was a financial professional, who employed many of the different financial professional designations listed above. One factor that many of us tend to not pay enough attention to is the fact that banks, credit bureaus, and especially government agencies are constantly gathering and seeking more and more information, much of it financial, on USA's citizens. In addition, the government is seeking more and more information not only about the financial professional, but also on the financial professionals' clients. In our "over regulated" society, I suppose that some of this information may be required. For instance if one of your clients has a so called "registered investment" like stocks, bonds, T-Bills, and even real estate, then certain information on the buyer and seller must be disclosed. However, there is another group of

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investments, which are aptly named "unregistered investments" where the buyer and the seller, are seeking financial privacy, often owning this investment in a "Bearer" form. Now the words, financial privacy, are not dirty words and the right to privacy is a legal right. So, there is nothing illegal in owning a privacy-oriented investment.

**I Was Sent
To Federal Prison!
Will You Be Next?**

My clients sought to own these "unregistered" investments because of the lessons learned in Europe concerning portable private wealth. Another reason my clients sought these investments was that modern surveillance and seizure methods have placed people and their assets in a precarious position. Because of the information age we live in, our assets and those of our clients are identified easily and targeted for lawsuits. Going back to the late 1960's, I had promised my clients that those so-called "unregistered" investments would remain private, and that I would not disclose this client information unless the law changed. All company paperwork for these "unregistered" investments existed legally and lawfully in a "Bearer" form.

**I Was Fined Hundreds
Of Thousands Of Dollars!
Will You Be Next?**

The law did not change, but I was asked, and then ordered, by the courts, to disclose private information about my clients. I was then fined hundreds of thousand of dollars for not disclosing this information. Eventually I went to prison, not for cheating or for stealing from my clients, not for swindling or defrauding, but on the charge of "making a false statement to a FDIC insured institution." A statement actually made by an appraiser hired by my company.

The alleged false statement was not even made by me, it was a statement made by an appraiser hired by my company. However, I was convicted of "engineering this false appraisal" even though the person who made the appraisal and I were found innocent of conspiring to make this false appraisal. My attorney and others have stated that the verdict was at best, inconsistent.

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In *Financial Services Journal On-Line*, I am telling America's leading financial professionals about my story because this could happen to you! The odds of you going to prison are certainly increasing because things are getting worse instead of better.

**Special Interest Is Protected!
Not You Or Your Clients!**

There are more and more requirements by agencies to disclose information. More and more legislation is being passed by our government like the new bankruptcy legislation, which protects the special interest groups, especially banking, at the expense of consumers, namely you and your clients!

On top of this is the fact that the number one target for litigation in the United States is now the financial profession. If something is not done about the current litigation problem, the industry as we know it will be extinct. Should that happen, our country will suffer because then only those institutions, banks and brokerage firms, gathering more and more information at the government's behest will be the only financial professionals left for the public to turn to for advice.

We can pretend that the government is as interested in protecting the financial professional industry as they are in protecting special interest groups, including banking. We can pretend that we as financial professionals will not be targeted for litigation and that things will turn out OK as they did in the old radio children's program *Let's Pretend*.

I can attest to the fact that in the real world, some bad things often happen at the end. So what are some of your choices and what can we do to protect ourselves? **One choice is to ignore the problems and do nothing, eventually being sued out of existence and going the way of the dinosaur.** Another choice is to become 'associated' with a bank or brokerage firm and hope that they will protect you when push comes to shove and then pray that they will 'allow' you to exist. I would not bank on that one.

There is another alternative that is both feasible and affordable. This alternative is also more practical and realistic. This alternative can give you longevity, prestige in membership, and an industry voice through strength in numbers. That alternative is to join a legal association comprised of members, just like you and me, to protect us from unreasonable and frivolous litigation, and to look out for the best interest of its financial advisor members. I am talking about **FA Legal**. You need to know about **FA Legal**.

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Better yet, you need to join **FA Legal immediately!** It is also in your client's best interest that he or she be serviced by a member of a legal association versus taking the risk of enduring extra expense and inconvenience by having a non-association financial professional being put out of business by another client's frivolous lawsuit. There is only one firm out there that is capable of affordably providing this protection for financial professionals and their clients, and their name is Financial Advisors Legal Association. Go to their Web Site www.falegal.com as soon as you can. You can write to **FA Legal** at **7469 West Lake Mead Boulevard, Suite 170, Las Vegas, Nevada 89128**, and request their free information about membership benefits. Phone **800-261-0633** for no-obligation details.

Studies show that the question isn't if litigation will strike you – the financial planner or insurance agent! Unfortunately, it's when! And the average cost to defend yourself against a claim now exceeds \$42,000.00

Back in 1980's there were various changes in the tangibles marketplace. Some of my clients and their heirs held me responsible for these marketplace changes and initiated litigation against my company, which lead to it being petitioned into bankruptcy. Had Financial Advisors Legal Association, also known as **FA Legal**, existed back then, there is a good chance that much of the harm done to myself, my family, my company, my financial associates and eventually to my clients could have been prevented. When I asked many of my financial associates and former clients, who were basically unprotected, with exception of my promise of confidentiality to them, "If there were an association, like **FA Legal**, back then to protect your interests and mine would you want me to join?" In sum, most of them said, "If **FA Legal** existed back in the 80's, we would have insisted that you and your firm belonged to it for our own protection."

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Harold F. Chorney, TIA, RFC is a highly booked speaker for the financial products and services industry. His talk titled *Will You Be Targeted By The Feds And Sent To Prison?* is presented to insurance companies and broker dealers across the USA. "The Chorn" will be a featured speaker for the **2006 IARFC Forum Convention** at the Manchester Inn, in Middletown, Ohio, to be held May 11 through May 13th, 2006. His scheduled presentation is titled *How Can You Stay Out of Prison?* Chorney says, "Your clients entrust you with their private personal and family information as well as with all of their financial assets. When government agencies request this confidential material how do you respect the privacy rights of our clients – and avoid being imprisoned as I was?"

Hal Chorney is also a frequent writer, published in *Life Insurance Selling*, *Financial Profiles*, *Financial Services Advisor* Magazine, *The Inspirator International*, *The IARFC Register*, *The Financial Planning Encyclopedia*, and other publications. Chorney is author of the book *Pie-rats*. "The Chorn" is a long-time reader of *Financial Services Journal* On-Line.

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