

The Role of Social Media in Your Business ... 11

Client Trust ... 16

The Best Ways to Generate Leads ... 22

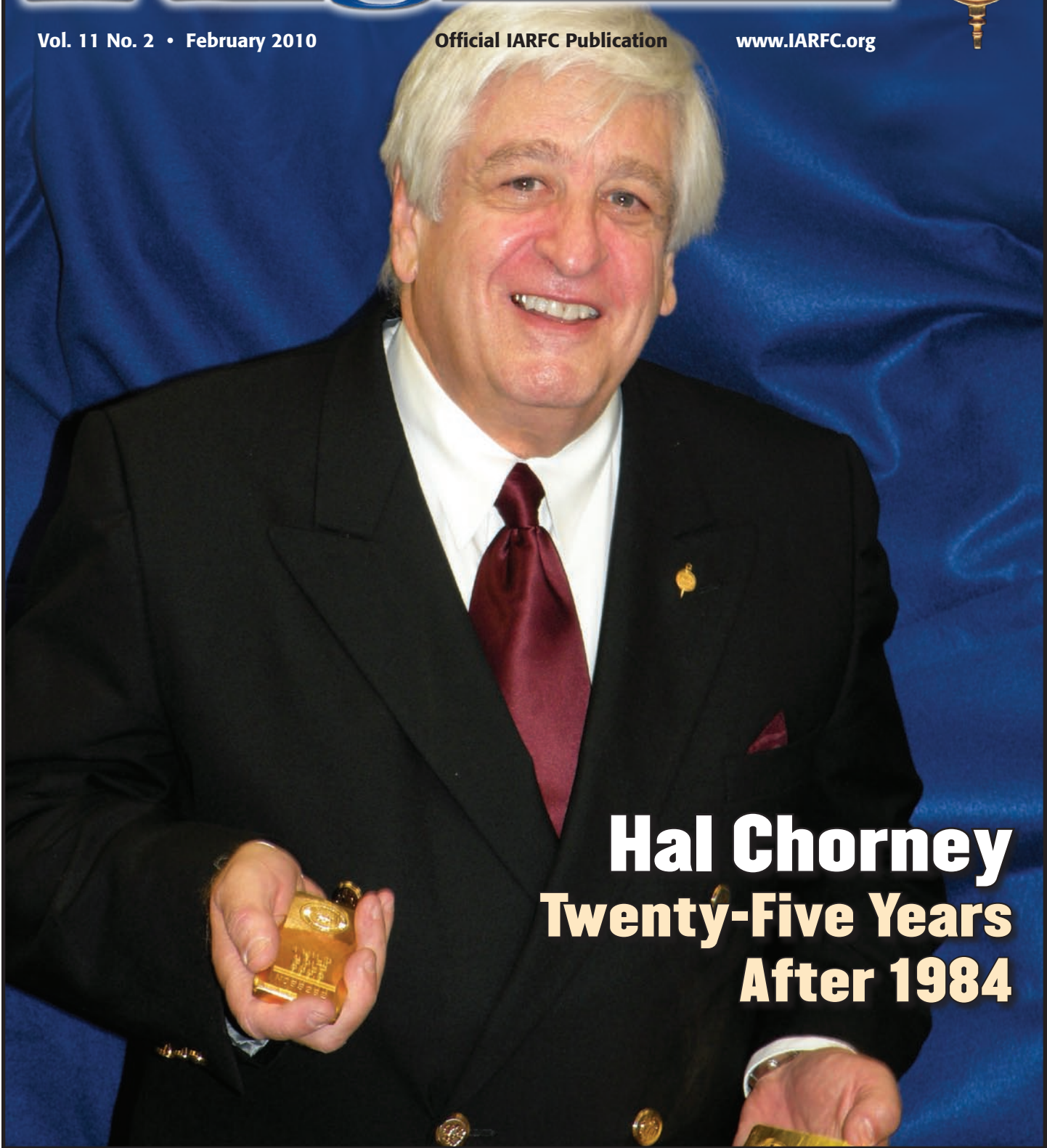
the **Register**



Vol. 11 No. 2 • February 2010

Official IARFC Publication

www.IARFC.org



Hal Chorney
Twenty-Five Years
After 1984

Serving Financial Advisors Worldwide

Twenty-Five Years After 1984

The *Register* interviews Hal Chorney, one of the early founders of the financial planning profession.

What is your take on the role the IARFC has performed during its first twenty-five years?

According to George Orwell, writing in his 1949 famous book titled *1984*, history is written by the writers of the news and the chroniclers of the age. It is somewhat coincidental that the IARFC was also founded in 1984 and has chronicled the financial planning developments of this period and become an industry leader in helping individual practitioners advance their business and better serve more clients. This is a massive accomplishment.

It is fitting that the IARFC be congratulated for this contribution to improving our profession and helping the individual planner increase their skills. Not only did the IARFC accomplish all this, but also, this association dared to allow different viewpoints of what was happening in the industry during these formative years, including some critical views of the financial products and services world.

Only the IARFC dared to provide coverage, which was not politically correct, on economic related developments that were not especially productive for American citizens. The IARFC did this even when the membership was benefiting from 'good economic times' and most organizations were fearful of the encroachment of government regulators or closer examinations. The IARFC has a solid history of encouraging ethics, compliance, precise monitoring, and foremost adherence to the client's best interest.

This required courage over the last twenty-five years, from the IARFC, its Board of Directors, and the membership. During these years, this association allowed various critics to voice their concerns over developments in the financial world. Still more courage will be required to continue these practices, while attempting to maintain balance, fairness and appropriate responsibility. The IARFC's accountability to the membership is, and has been, honorable, for twenty-five impressive years. Each Registered Financial Consultant can be justly proud.

Do you see any other connection with Orwell's famous book?



Ed Morrow, Wally Cato and Hal Chorney reminisce about the founding of the financial planning profession and the changing world of regulatory enforcement.

Investors suffered and we suffered because regulators totally failed to protect them. 'Doublespeak' from Orwell's *1984* is still alive and well. Wall Street paid ratings agencies to declare that questionable financial offerings were sound. Yet some of these offerings were so convoluted that not only did the financial professional of average intelligence not understand them, but it seems that many of the so-called "intelligencia" of the industry could not explain them either.

By the time some of these offerings were unraveled, it was too late. **The excessively greedy Wall Street firms had taken more than their share of the money** as markets spiraled downward and the public lost confidence in their financial advisors. Wall Street, and the government agencies totally failed to regulate properly. Prior to the current exposure of these boondoggles, again-and-again our honorable RFC financial professionals, **truly in the trenches with America's people, sounded the alarm to deaf ears in governments at all levels.** As in Orwell's book, the government did not listen to the citizens, but only dictated to them. Are there similarities.

What about your personal experience with the IARFC?

Back in 2006, at an IARFC Convention, I warned our leaders and most productive members of these developments. I

discussed with RFCs what was already happening. In doing so, that segment of our membership was invited to question why the banks and other cartels were the benefactors of certain laws and not the people. Many of these laws and regulations were contrary to our fundamental birthrights. It was further pointed out that these laws, written by Congress and enforced by the courts, were **robbing our clients and us – of our freedoms, our liberties, and our money!**

It was at this conference and in *Register* articles that I explained how and why I was sent to prison for not revealing personal and private information about my clients. I exposed the evolution of certain bank reporting requirements that had been enacted into federal law. These required the divulgence of your client's personal and private information. Financial privacy for the most part has been abolished in the USA.

Through the years, my company had been approached by different federal agencies seeking confidential information about our clients. We serviced mostly financial professionals and the feds wanted the confidential information on those planners, advisors and agents – as well as about their clients.

Each federal agency vied to have me under their jurisdiction. I remember in 1983 how the SEC insisted that my tangibles firm and I were under their jurisdiction. My attorneys and I did not think that we were since we did not sell securities nor belong to the NASD. When I questioned the SEC's jurisdiction, they stated that they had the jurisdiction to determine if they had jurisdiction. Orwellian Doublespeak!

However, that battle, which ended with a decree stating that I neither admit nor deny any wrongdoing, cost me hundreds of thousands of dollars. When other federal agencies, including the IRS, asked me for information on the 'unregistered' investments of my clients, more specifically information on the financial professionals who were vendors of our products to their clients, the legal stance of my company was, 'What law requires the firm to disclose this information? Why ask us? Why don't you ask them?'

My company and staff respected the financial privacy of planners and their clients, but in time, I learned that some of our clients' own financial professionals did not respect their clients' privacy, perhaps because these planners were under the jurisdiction of SEC and NASD or other different federal agencies.

Governments love acronyms. Has this also been prevalent in financial securities?

An excellent example of Orwell's Doublespeak was the acronym NASD — National Association of Securities Dealers. It was not really an "association" but a regulatory agency that gave preferential treatment to the large Wall Street wire houses.

The new name, FINRA — Financial Industry Regulatory Authority now acknowledges this authoritarian role — and exposes the goal of the regulators to control the entire industry. They really did a great job with Bernie Madoff, Lehman Brothers and Merrill Lynch, didn't they!

What about tangibles during the past twenty-five years?

As all readers of the *Register* know, gold and silver have increased in value during this period and are now commanding more investor interest. Back when I had my legal problems, tangible investments were legally and lawfully under the umbrella of Financial Privacy. Back then there was no law on the books requiring disclosure of these

'unregistered' investments. As usual, **the feds and their courts, rolled over and crushed the small independent businesses, while ignoring or sanctioning the obvious wrongdoing of the industry giants.**

Today you can look at the horrid Ponzi operations perpetrated by **Bernard L. Madoff** and **R. Allen Stanford**, or the **Bank of America** takeover of **Merrill Lynch**, to see that **the federal regulators like FINRA and the SEC still ignore the major players, even when they are repeatedly reported.** Instead, they go after the independent financial planner.

My firm chose not to disclose any information 'non-public'. Sure, there were certain parameters such as laws involving cash transactions and the reporting of transactions over \$10,000 stemming back to the Bank Secrecy Act of 1970, requiring banks to notify the IRS of these cash transactions. In 1986, the ball game changed when Congress passed the Money Laundering Control Act. Banks were no longer concerned with the release of information as violating their clients' financial privacy. **Now banks have little or no regard for financial privacy of their customers.** By law, the banks have to release the \$10,000 transaction, and the 1986 law stated that a financial institution could not be held liable for releasing any suspicious transactions to law enforcement or regulatory agencies.

IRS Form 8300 was then introduced, requiring businesspersons to report cash transactions in excess of \$10,000 and the banks were issuing SARs, (Suspicious Activity Reports) involving an aggregate of \$5,000 in cash as well as the mandatory \$10,000 in cash transaction. **Now, with the so-called Patriot Act, all sorts of additional, often secret, red flagging and reporting are taking place on your clients.** Hundreds of thousands of **Suspicious Activity Reports** (SAR) have been filed each year since 2004. Tens of millions of transaction over \$10,000 in cash have been sourced in IRS Currency Reporting.

Have there been warnings or just more Doublespeak?

Back in the 1980's, when critics spoke out against the lack of financial privacy, we were labeled as "aiding drug dealers" to launder and hide illicit monies. Today a critic of the lack of financial privacy often is labeled as "being soft on terrorism". Civil liberty and



privacy advocates have claimed that the government's description of a suspicious activity was too broad and created many possibilities for abuse. Obviously, this is the result. **Because of laws like these, many people now think America itself is on a downward spiral as the citizens become more and more at the mercy of the feds.**

Don't believe me? Read the bill that then Senator Obama introduced in 2008 that tried to label all foreign tax avoidance techniques, like the well-respected offshore insurers, as being "presumed" to be illegal tax avoidance schemes.

CONTINUED ON PAGE 5

What advice do you have for our membership?

Please be aware that the new definitions create additional justification for a SAR. This means that government can and will seek and demand even more information from you about your clients and you. This will make your jobs more difficult as affluent Americans may eventually go out of this country for their financial advisors or in search of financial privacy for the freedom we once had.

As recently as May 21, 2009, the government updated its standard for how law enforcement organizations from different levels of government should report on, and share electronically, observations on activities considered suspicious concerning terrorist activity, or even activities considered merely 'interesting' actions.

This updated standard separates behavior that could be observed as suspicious into two categories: (1) Defined criminal activity with a potential link to terrorism, and (2) activities that are **potentially** criminal or even non-criminal activity that require additional support to be considered a SAR. One source for this additional information for a SAR may be you, the financial planner, insurance agent or advisor – when you are required to “rat” on your clients and expose legitimate private transactions of private clients and expose legitimate private transactions to public securities – or personally face prosecution, business ruin, and even incarceration.

Are creative opportunities still available for planners?

Gathering information on your clients can be a double-edged sword since the government is continuously seeking more-and-more information on your clients and you. Of course, the planner needs this information to serve the client best. **But, should planners become spies for the feds? How do your clients react to this?** Statistics from the Registered Tangible Investment Advisors' Association (RTIAA) in Boston indicate that most financial professionals are not well versed on either financial privacy or tangible investments.

According to **Raquel McAninch**, Secretary at the RTIAA, “Many financial professionals do not even know that tangible investments such as gold, silver, rare coins and stamps should for the most part not be owned in a paper or certificate of ownership form, but that a **physical possession** of the assets is needed.”

Now there is **money to be made** for the planner with the right information and **money to be lost** for the planner who does not know about all the assets of his clients or what to do with them.

What do you suggest?

All planners must become more creative in generating additional revenue in these challenging financial times, through the purchase or sale of tangible assets.

Recently, I spoke with a financial planner who had a client holding gold, silver and rare coins. The client was elderly and had inherited these assets, which had never been income producing. The planner contacted me about selling the tangible assets so that the proceeds could be placed into an income-producing vehicle for the client.

This turned out to be a win-win transaction. It was a win for the planner to accommodate the client by arranging for the sale of these items because the funds were placed by the planner into income-producing products. It was a win for the client to feel comfortable by having her financial advisor involved with the entire transaction, including the final disposition of the assets.

When you take information about the assets of your client, do you **always** ask about holdings or inheritances in gold, silver and rare coins and stamps and other collectibles? If you fail to gather this information, you create a lose-lose situation. You lose because you cannot assist your client to the best of your ability to accommodate their needs. And your client loses because those funds are tied up in areas that do not maximize their current investment strategies.

Another RFC casually mentioned to me that his client had inherited a rather large postage stamp collection and that none of her children or grandchildren was interested in stamps. I suggested that the RFC get me more information about the contents of the collection and then introduce me to his client. Eventually I took a flight to view the stamp collection and arranged for its purchase. The planner thanked me because about eighty percent of the proceeds were given to the planner to invest in other items for the client. In short, the entire process became a win-win for the planner and the client.

According to no less of an authority than Forrest Wallace Cato, when Loren Dunton

and Ed Morrow first originated the financial planning profession they visualized the planner as the protector of the investing citizens. Your important job has since become far far more difficult.

What else should an RFC be on the alert for?

The government's Doublespeak and misrepresentations are not behind us. Despite the mortgage debacle, the federal government (Farm Administration) is still making loans on rural and suburban residential properties up to 102% of value. Moreover, just recently the administration suggested Freddie Mac issue new loans, with the funding coming from – guess where? U.S. special government bonds!

While the novel **1984** was science fiction, Big Brother is still alive, and Ministry of Truth (Minitrue) is still revising “events” and some of the recent federal legislation proposals are getting pretty close to what Orwell called “doublethink” and “thought crime.”

Eternal vigilance is the price of liberty – and it looks like we are all going to be paying a lot.

Hal Chorney, RTIA, is the founder and President of the **Registered Tangible Investors Advisors' Association (RTIAA)** and the **Money School of Boston**. Hal is a highly booked speaker by insurance companies, broker dealers as well as hard money advocate groups across the US. He succinctly emphasizes methods and forms of gold ownership as well as legal and lawful methods to preserve financial privacy in the acquisition of gold and other assets.

Hal has assisted the financial industry in the purchase, sale and appraisal of gold, silver, rare coins, stamps and other tangible assets for over 40 years. He has received the **Prudent Man Award** from the highly respected Insurance Pro Shop. His articles have been published in **Life Insurance Selling, Fiduciary Legal Report, Success Plans, Financial Profiles, Financial Services Advisor, The Inspirator International, The Register, The Financial Planning Encyclopedia**, and other publications. Chorney is author of the book **What Happened to the Golden Frogs?**

Contact: 774 240 9022
hfchorney@earthlink.net