



*Global Wealth Strategies*  
*To manage both sides of the Balance Sheet,*  
*Assets and Liabilities for Individuals and Businesses.*

**Your Trusted Relationship**  
**Anti-Madoff Test for “*Global Wealth Strategies*”**

**Dear clients and friends:**

Trust is essential to business and personal relationships. Unfortunately, in the recent Madoff scandal, someone who was trusted by many left us with the sense that we are in a world where we can't trust anyone. Trust takes a long time to restore.

Before we trust someone with our financial lives we should scrutinize them closely and ask questions to better understand who we are doing business with. No due diligence process is perfect but a sound due diligence process is still the best tool we have for evaluating an investment. The list of questions below can be applied to the companies you do business with and their answers will give you a sense of how much risk are you taking by investing with them.

1. **Does the company use a well-known third party custodian or clearing firm?** The majority of investment management companies use a third party custodian who maintains the account records and safeguards the assets. The lack of a third party custodian was the most blatant omission in the Madoff case. Custodians and clearing firms ensure that a third **unrelated** party sees all the accounts and has the obligation to verify and maintain the account records.

Well-known custodian firms include National Financial, Fidelity, Charles Schwab, Pershing, JP Morgan, Citibank and others.

2. **Who has the money at the end of the day?** The Madoff case showed how complex the industry can be. You need to know who is at the end of the line and how are they supervised. There are three types of companies that investors are likely to work with. Registered Investment Advisors (RIA) are regulated and are periodically audited by the SEC. RIA firms are required to use a third party custodian and thus also meet the first criteria. Broker-dealers are regulated by FINRA and are supervised closely by that organization, including annual audits. Hedge Funds are unregulated partnerships that do not have to meet any of the above requirements.
3. **Who is the person you are working with? Are they unbiased?** Your advisor may either be independent (meaning they own their own company) or an employee of another company such as a large Wall Street firm or insurance company. If your advisor is representing the same company that is managing the assets, you should not assume they are 100% objective in their due diligence of that company.
4. **Can you access your account at any time and obtain up-to-date information?** This is a very simple but effective test. It is difficult to counterfeit hundreds of accounts if clients can see them in real time. This is especially true if the investments are marked to market - meaning that the value of the assets is updated periodically based on market results.
5. **Are there restrictions on withdrawing money from your accounts?** By itself the liquidity of an investment (ease of getting out of it or liquidating) is not a protection against fraud. Still, the more liquid the investment is the more difficult it is for a fraudulent investment to flourish for a long time.
6. **Does the company have a third party auditor?** An auditor will not scrutinize the investments made by a company but will verify the revenue recorded by the company and therefore can catch irregularities in accounting. An auditor will also verify the financial controls inside the company certifying that the company has adequate controls over its cash and financial record.

7. **Who is scrutinizing the investments that are recommended to you?** The more trained eyes that evaluate an investment, the better. For example, many investments are reviewed by a due diligence team at a broker-dealer, the internal investment committee of the investment advisory firm, the trust company, etc.

If the answer to more than a couple of the above questions is either unclear or raises a red flag, then this investment deserves more scrutiny and is potentially vulnerable to Madoff-type problems. The Madoff case has shown us that reputation alone should not be enough to trust someone with your money; it also proves that we should never stop asking these fundamental questions, no matter how well you think you know someone or how sophisticated the investment may be.

**We have to restore trust in the financial system and we can only accomplish this together. We can't just say "Trust me!" - Trust does not work like that. All we can do is provide you with information and details on how we do business, answer all your questions, be completely transparent about our actions and hope that trust develops over years of a productive relationship.**

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### Answers to some questions inspired by the recent Madoff scandal.

#### Anti-Madoff Test for “*Global Wealth Strategies*”

1. **Does the company use a third party custodian or clearing firm?** Yes - we use Fidelity (through its clearing division **National Financial Services - NFS**) as the custodian of all our advisory accounts and the clearing firm for all our brokerage accounts.

2. **Who has the money at the end of the day?**

We use **reputable investment companies** such as American Funds, Dimensional Fund Advisors, and other well known investment managers and mutual fund companies. We can trace all of their holdings all the way to the exchange floor.

3. **Who is the person you are working with? Are they paid by the company managing your money?**

**Amrish Patel**. I am managing partner of Patel Wealth Management, LLC dba Global Wealth strategies, **registered representative of Securities America, Inc.**, an **independent broker-dealer**. NFS does not manage your money.

4. **Can you log into your account at any time and obtain up-to-date information?**

**Yes** - a variety of methods are available directly through Fidelity/NFS. Most, but not all, of the investments we use are marked to market. Some of the real estate and other alternative investments are not marked to market, as such, clients who have holdings in alternative investments will not be able to log into their accounts since the investments are pooled and illiquid. We are aware that such investments represent more risk and perform added levels of due diligence on the companies we do business with.

5. **Are there restrictions on withdrawing money from your accounts and what are they?**

**Generally speaking the answer is no, although there are exceptions.** Alternative investments are illiquid by nature. Other investments may be liquidated more readily, but may have fees, taxes or other charges associated with early liquidation or withdrawal.

6. **Does your company have a third party auditor and who is the company?**

The actual companies investing the money are all audited by a reputable auditor. Our broker-dealer, Securities America, Inc. (SAI) is also audited **by Ernst and Young**.

7. **Who is scrutinizing the investments that are recommended to you?**

Our broker-dealer, **Securities America, Inc.** performs extensive due-diligence on all investment vehicles used. The process starts with a cursory review of a set of minimum standards in order to determine specific hurdles are met before further due diligence is performed. Those that pass initial screenings are considered for a more in-depth analysis and vetting process that is rigorous and systematic. The due diligence process is viewed as a holistic approach where both qualitative and quantitative factors are used to develop a comprehensive understanding of the investment opportunity. When performing a full due diligence review, examples of things considered may include but are not limited to issues such as manager tenure, employee turnover, AUM, track record, and

performance attribution. Transparency in operations is a key factor in helping to assess whether a product/manager/fund contains a prudent balance between risk/reward and is the basis for approval of any new offering.

Despite the most thorough efforts to evaluate and understand an offering, it is impossible to completely rule out and avoid the potential risk of loss. Due Diligence is designed to verify and ensure that the information provided by the product/manager/fund in the PPM or Prospectus is accurate and provides full disclosure enabling the investor to make an informed investment decision.

Take Care,

*Amrish N. Patel*

**Managing Partner, Financial Advisor**  
**Global Wealth Strategies, LLC**

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**"Please contact my office at 480-664-2497 or Securities America at 800-747-6111 for all buy/sell orders."**

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