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## Madoff sentenced to 150 years

Staff/June 29, 2009

*As appeared in Advisors News on June 29, 2009.*

A federal judge has sentenced Bernard Madoff to 150 years in prison for masterminding the largest Ponzi scheme ever. The sentence is the maximum that he could have received.

U.S. District Judge Denny Chin was apparently unmoved by Madoff's statement of contrition: "I live in a tormented state for all the pain and suffering I created. I left a legacy of shame. It is something I will live with for the rest of my life."

At 71 years of age, Madoff will likely spend the rest of his life in prison. His lawyer, Ira Sorkin, had asked for a sentence of just 12 years, saying that Madoff's life expectancy was realistically only 13 years.

He pleaded guilty to 11 charges relating to the \$65-billion fraud on March 12. On June 26, a U.S. District court judge ordered that Madoff be stripped of virtually all his assets, including real estate, automobiles, boats and private planes. His wife, Ruth, is left with about \$2.5 million in assets, after relinquishing her claims to about \$80 million in jointly owned property. Many victims are now calling for the prosecution of Madoff's family and colleagues, saying that such a long-running fraud could not possibly have been carried out by him alone.

Court documents indicate that Madoff's victims included 17 Canadian families and companies.

While the Madoff fraud is mind-boggling in both size and duration, one of Canada's top advisors in the high net worth space says investors need to remember that such crimes are relatively rare.

"The chances of fraud in the investment business — with all the regulation, compliance, due diligence and oversight that takes place — it's basically like getting hit by lightning," says Thane Stenner, managing director of GMP Private Client LP and the head of Stenner Investment Partners in Vancouver.

"The chances of it happening are really, really low, historically. However, that doesn't mean you shouldn't be mindful of protecting against potential risks. You don't go walking onto a golf course in the middle of a thunderstorm with a big metal rod."

Stenner says there were many red flags that should have warned investors that something was amiss at Madoff's investment firm. Chief among those warning signs was that Madoff himself was "wearing too many hats," serving as investment manager, custodian and brokerage firm.

Clients who were completely wiped out by the fraud forgot the simplest rule of investing: portfolio diversification. The Madoff fraud demonstrates that diversifying across asset classes is not enough; investors should diversify

across managers as well. Stenner says he would typically spread a \$20-million portfolio across 15 or 20 separate managers.

"The people who got hurt the most with Madoff are the ones who put 90% or 100% of their total liquid net worth with him," Stenner points out. "That's cardinal rule No. 1. You want to diversify amongst investment managers, and that's precisely what we take on as a consultant to our clients."

GMP's own due diligence group had compiled a file on Madoff as far back as 2000 and ensured that clients steered clear.

While he expects there will be talk of new regulations to prevent future frauds, Stenner says someone will inevitably find a way around intensified scrutiny. The investment industry will again suffer a black eye.

"The untold story is that with 999 out of 1,000 managers, there is no fraud," Stenner says. "I don't think anything truly replaces the damage that's been done, but I think some of the investors will take solace in the fact that he received a just sentence."

*(06/29/09)*

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Originally published on [Advisor.ca](http://Advisor.ca)