



March 2012

Vol. 2 No. 3

Wealth Management Update

Conrad named FIVE STAR Wealth Manager for Third Year

Lou Conrad, CFA, founder and president of COMPASS Wealth Management, LLC, was recently named a 2012 FIVE STAR Wealth Manager as announced in the February issue of Boston magazine. This is the third consecutive year that Lou has been honored to be named a FIVE STAR Wealth Manager.

The award is the result of a thorough evaluation process overseen by Crescendo Business Services, an independent research firm, in partnership with Boston magazine. Less than 3% of the wealth managers in the Boston area were named as a 2012 FIVE STAR Wealth Manager. The selection was based on ten objective criteria, including a favorable regulatory and complaint history review.

Before founding COMPASS Wealth Management, LLC more than 10 years ago, Lou was a mutual fund

portfolio manager, as well as the director of Fidelity Investments' Fund Analysis and Research Group. He has been a member of Fidelity Institutional Wealth Services' Advisor Council, as well as Putnam Investments' Advisory Council, both comprised of a select group of advisors who provide feedback to these leading companies on their current and contemplated products and services. From 2007 – 2009, Lou served as president of the American Association of Individual Investors' Boston chapter, a nonprofit organization devoted to the education of investors. From 1997 – 2009, he served on the Board of Directors for Cooperative Elder Services, a nonprofit daycare program for seniors, based in Lexington. Lou is also a member of the Lexington, Massachusetts Chamber of Commerce.

Mr. Conrad, who received an MBA in finance from The University of Chicago, is a Chartered Financial Analyst (CFA) and a member of the CFA Institute, the Boston Security Analysts Society, the Boston Estate Planning Council, and the Financial Planning Association.

Advisor Corner

COMPASS Wealth Management, LLC is a client-focused wealth management firm dedicated to providing superior advice to individuals, families, and corporate retirement plans.

Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

We take pride in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is our business and we take that responsibility very seriously.

For details on the selection criteria used to determine the recipients of the 2012 FIVE STAR Wealth Manager award, please visit our web site.

If you would prefer NOT to receive future editions of The COMPASS Chronicle, please send an e-mail with "UNSUBSCRIBE" in the subject line and you will be removed from the distribution list.



MORNINGSTAR



Louis E. Conrad II, CFA
President

lconrad@compassinvest.com
(978) 828-5681
www.compassinvest.com

Don't Get Scammed by Skimmers

By Louis E. Conrad II

- ▶ Unfortunately, your hard-earned cash can be lost through the unscrupulous actions of skimmers.
- ▶ This article describes what skimming is and what actions you can take to protect your cash and financial data.

When automated teller machines (ATMs) were introduced in the 1970's, they were heralded as a means of providing greater customer convenience—access to cash 24 hours a day, 7 days a week. And while attempts have been made during the intervening years to bypass the security of ATMs and unlawfully access the cash they house, a high tech scam called skimming has become more prevalent recently. In addition to ATMs, skimming is also occurring at gasoline stations from credit and debit cards.

Skimming your Cash

According to the Federal Bureau of Investigation, ATM skimming is a scheme favored by Eurasian crime groups, which may be costing U.S. banks hundreds of millions of dollars each year. In one case in the fall of 2010, two Bulgarian nationals were charged with using skimming devices to steal over \$1.8 million from more than 1,400 customer accounts at two New York City area banks.

ATM skimming involves the installation of (1) an electronic device over the ATM's card slot, which reads the account information on the card's magnetic strip, and (2) a miniature camera that captures the user's personal identification number (PIN) when entered on the ATM's keypad. The electronic device will either save the information on a small, attached laptop or cellular phone, or send the account information wirelessly to thieves waiting nearby. Most often such devices, attached with double-sided tape to the ATM and designed to look like the existing terminal, are only in place for a few hours before they are removed by the criminals. Once thieves have the account information and PINs, they encode blank cards with the stolen data and withdraw cash from customer accounts.

Two types of ATM skimming devices exist: one that interferes with the ATM's operation and one that does not. If the former type of device is in place, then the bank customer will not be able to withdraw any cash, while the other type of device can be skimming your account information and

allowing you to make withdrawals at the same time.

Skimming your Credit/Debit Cards

Credit and debit card users of pay-at-the-pump terminals at gasoline stations can meet a fate similar to ATM users. Pay-at-the-pump skimming devices can be installed either inside or outside of the gas pump. Internal installations intercept the credit or debit card information that is scanned by the external card reader. These types of installations are generally performed with the participation of a gas station employee. Small cameras are used to capture and wirelessly transmit PIN numbers that are entered for debit card purchases.

Safeguards to Take

Though financial institutions will typically credit your account for fraudulent withdrawals or charges, you can take steps to protect yourself: (1) Examine an ATM, gas pump, or credit card reader before using it and be suspicious of anything that looks out of the ordinary. Be especially careful of ATMs in tourist areas, which tend to be popular with thieves. (2) When entering your PIN, shield the keypad. (3) If your ATM card is not returned at the end of the transaction, immediately contact the financial institution that issued the card. (4) For gasoline purchases, go into the gas station to process your transaction and sign the credit card receipt. (5) Check your statements to ensure there are no unauthorized transactions. (6) Contact law enforcement if you believe any fraudulent activity has occurred.

Although convenient, ATM, credit, and debit cards require your diligence to protect the privacy of your account information and your financial security.

What Is a Credit Score?

- ▶ For those who are Massachusetts residents, you are entitled to one free credit report from each of the three credit reporting agencies each year.
- ▶ To learn about how to protect your credit, visit our web site and access our library. Click on the topic "Financial Fraud" and select the article entitled "Protecting Your Credit."

Ever wondered why your application for a credit card was declined? How the interest rates on your loans were determined? Or what those advertisements about getting your free credit report mean? All of these are related to one's credit score.

What is a credit score? It is a system that creditors, like banks, use to determine whether to extend credit to you, the consumer, based on the probability that you will repay the loan and make the payments when they come due. In addition, it is sometimes used to determine the interest rate on the loan. Generally, scores above 720 are considered excellent and you will qualify for most loans. If you have a score in the high 600s to 700s, you will qualify for most loans but not at the best interest rates. Consumers with scores below the mid-600s may not be able to qualify for credit cards loans, and even if they do, would have to pay unattractive rates. So what are the factors that determine your credit score and what steps can you take to improve it?

First, your payment history is the most important component of your credit score. If you have paid bills late or declared bankruptcy, this will lower your score. The best way to keep up with your monthly payments is to live within your means and only use credit cards if necessary. In addition, try to set up an emergency fund to protect you from unexpected expenses or changes in your income, like losing your job.

The second component looks at the amount you owe, or your debt-to-credit ratio. You should have some debt on your accounts to show that you are able to handle credit, but if the amount you owe is close to your credit limit, it is likely to have a negative effect on your score. In addition, some credit card issuers have been reducing lines of credit for customers who have not have any late payments, which will have the effect of increasing your debt-to-credit ratio so make sure to call your issuer to get this reversed if you are affected.

The length of your credit history looks at how long you have had a credit track record and

considers the time since your accounts were opened and they were last used. Thus, even though you might have some inactive accounts, it is important not to close your oldest accounts especially if you have a relatively short credit history of less than 10 years.

Fourth, creditors look at whether you have inquired for new credit lately. Do not apply for too many accounts within a short period because it makes it look to creditors as though you are desperate for credit. If you need to make multiple inquiries for home or car loans, or for credit card applications, do it within a short period of time, between 14 to 30 days, so that it will be treated as a single inquiry. Speak to your financial advisor on the best ways to apply for new credit if you need to.

The last factor used in determining your credit score is the types of credit that you have. Try to have a good mix of different types of credit, including credit cards, car loans, and mortgages, which might take longer to establish depending on your current level of income. However, refrain from applying for too many credit cards because this may have a negative impact on your score.

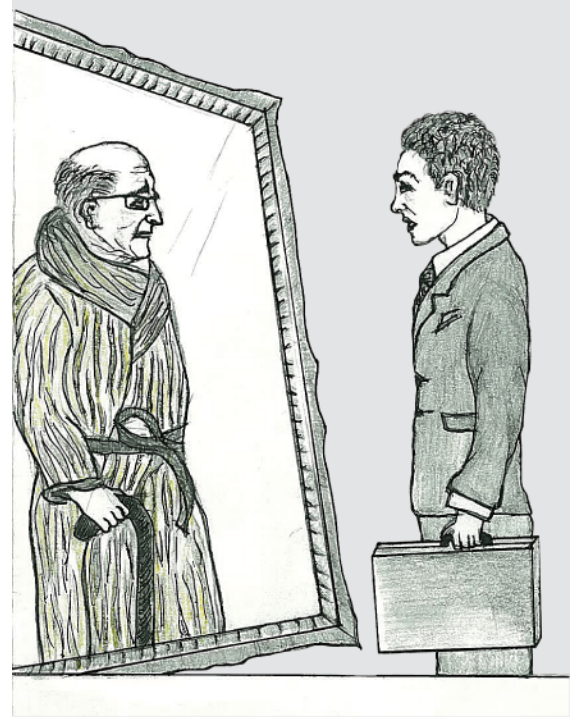
To learn more about your credit score, go to Annualcreditreport.com and obtain a free annual credit report from any of the three major providers—Experian, TransUnion, or Equifax. You will not get your credit score with this free report but you will obtain qualitative information based on the five factors mentioned above, and learn whether you have any inaccurate information or unauthorized accounts. If you would like a more detailed report with your credit score, you can purchase the report from the providers.

Man in the Mirror

- ▶ We certainly see the message reflected here when we interact with clients and prospects.
- ▶ Life can pass by fairly quickly--the earlier you plan and save, the better positioned you will be for a financially secure retirement.

You seldom think about retirement when you're in your 20's or 30's; after all, the reflection you see in the mirror every day looks back at you with a young and confident smile. However, what if the years quickly passed by (as they have a way of doing) and one day retirement found you unprepared?

The most important thing to do is to start saving for retirement as soon as you can. No matter how small, any amount of money you can save when you're young will grow over time and help you reach your retirement goal.



©2012 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is intended solely for informational purposes; (2) is proprietary to Morningstar and/or the content providers; (3) is not warranted to be accurate, complete, or timely; and (4) does not constitute investment advice of any kind. Neither Morningstar nor the content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. "Morningstar" and the Morningstar logo are registered trademarks of Morningstar, Inc. Morningstar Market Commentary originally published by Robert Johnson, CFA, Director of Economic Analysis with Morningstar and has been modified for Morningstar Newsletter Builder.



Louis E. Conrad II, CFA
President

COMPASS Wealth Management
Post Office Box 250
Lexington, Massachusetts 02420

lconrad@compassinvest.com
www.compassinvest.com

Tel: (978) 828-5681
Fax: (781) 862-7030

© COMPASS Wealth Management, LLC, as well as Morningstar. While the information contained in this newsletter relies on sources believed to be reliable, accuracy cannot be guaranteed. Unless otherwise noted, all information and opinions are as of the date of transmittal, and are subject to change without notice. This newsletter is intended for general informational purposes only and it does not discuss all aspects that may apply to your situation. Please consult with a qualified professional. COMPASS Wealth Management, LLC is a registered investment advisor with the appropriate regulatory authorities. For additional details on the services that COMPASS offers, we encourage you to also review Parts 2A and 2B of our Form ADV, which is provided on request. For details on the selection criteria used to determine the recipients of the FIVE STAR Wealth Manager award, please visit our web site (www.compassinvest.com).