School of Law

USF Investor Justice Clinic

Guide to Smart Investing

Since its founding at the University of San Francisco School of Law in 2002, the Investor Justice Clinic has seen hundreds of cases where investors have lost money unnecessarily. This guide draws on our experience with the many investors we have worked with. In it we provide some important information for you to keep in mind when making investment decisions.

I. Protect Yourself: Top Ten Tips for Avoiding a Bad Investment

1. Resist high pressure.
2. Read and keep all documents. NEVER sign a blank or incomplete document.
3. Have all trade confirmations and account statements sent directly to you. If you change addresses, it's up to you to notify the broker/brokerage. Follow up if you don't receive account statements or trade confirmations.
4. Take and keep notes of all meetings and communications regarding your investments.
5. Get written information before you invest and ask questions about any information you receive about your investment. If you don't understand the investment, don't make it.
6. Get outside help. Friends, family, attorneys, and CPAs are good resources.
7. Keep track of your account. Read everything sent to you. Use online access even if you don't trade online. If there is a problem, complain in writing.
8. Conduct independent research on the broker, firm, your investments and representations made to you. (See section on Research)
9. Meet with your broker and visit the firm. Do not make checks payable to your broker, advisor, or any individual for investments and do not make personal loans to them.
10. Report fraud or abuse. Don't let fear of embarrassment stop you from complaining.

II. Do Your Homework: Resources for Researching Investments

Online Research Tools

There are a variety of online resources with information on investments:

Unregistered Securities—call your state securities regulator (www.nasaa.org)

Click on "Contact your Regulator" on the left side of the page

FINRA Market Data Center (www.finra.org/marketdata) contains financial news and data, investor education and alerts

EDGAR database (www.sec.gov) contains company financial filings and is useful for researching unregistered securities

Bloomberg (www.bloomberg.com) features company profiles, earnings estimates, research

Hoover's (www.hoovers.com) features company and industry profiles and IPO information

Moody's (www.moodys.com) contains ratings reports and research

Morningstar (www.morningstar.com) contains reports and research, mostly on mutual funds

Yahoo Finance (www.finance.yahoo.com) offers up to the minute financial news and data and IPO information

Standard & Poor's (www.standardandpoors.com) contains financial databases and company ratings

Wall Street Journal (www.wallstreetjournal.com) features current investment news, data, and analysis

How to Research the History of a Broker or Brokerage Company

A. Conduct a FINRA [Financial Industry Regulatory Authority] Broker Check

Go to www.finra.org then click on "Investors" then click on "Broker Check"; or, you can call 1-800-289-9999. You will need a name of the broker or brokerage firm or a Central Registration Depository (CRD) number of the broker or brokerage firm. Always ask the broker for his or her CRD prior to investing

The Broker Check will provide Broker's various licenses; broker's employment history; firm's profile, history, and operations; disclosure statements including criminal record, suspensions, or disciplinary actions, past customer complaints, and any arbitration or civil awards.

B. Other sources for broker checks

Call or Write your State Securities Regulator

Go to www.nasaa.org to find contact information

Check with Better Business Bureau

How to check on the history of an Investment Advisor

You may obtain their registration forms ("Form ADV") in several ways including directly from the broker by request, online at www.adviserinfo.sec.gov, or from the state securities regulator at www.nasaa.org.

Form ADV contains two parts. Part 1 includes information about the advisor's business and any problems with regulators or clients. Part 2 outlines the advisor's services, fees, and strategies.

How to check Professional Designations

Be sure you understand the requirements for a professional. Are there formal certification procedures including examinations and continuing professional educational credits? Or, to get the designation, is the member only required to pay membership dues?

Contact the issuing organization and determine whether the broker is currently authorized to use the designation and whether they have been disciplined

Check online at apps.finra.org/datadirectory/2/prodesignations.aspx