CASE STUDY #1

From Windfall to Wipeout

Of Blind Trust and Lost Wealth

The Transparity Files	**Investment Type: Real Estate**
Case #288	**Money Invested: $800,000**
Name: Chaim Kalisch*	**Source of Investment: Advertisement**
Age: 36	**Time Frame before Investment Deteriorated: 6 months**
Children: 6	**Money Lost: $788,000**
Occupation: Rebbi	

If you would meet me on the street, you would think I don't have an extra dollar to my name. And you would be right. But it wasn't always that way. I look back at my story with remorse and wonder at my naivete and the opportunity that slipped through my fingers almost as quickly as it had come.

Up until four years ago, I was the stereotypical *yungerman* trying to learn as much as I could while providing for my growing family of five. I was a fifth-grade rebbi in the morning and learned second seder in Kollel. Between my wife's secretary job, my extra tutoring at night, penny-pinching wherever we could, and my wife's find-great-deals-while-still-ensuring-our-kids-looked-great skills, we managed to get by each month financially. Just barely.

And then, in the middle of the hecticness of raising pre-teens and babies, my daughter was in a car accident. It was a grueling year of a delicate surgical procedure, post-op, and lengthy recovery, a year in which we wished for the boring "hecticness" of life "before the accident." Many people told me that I should sue the non-Jewish driver for his negligence and the heartache he caused, but honestly, we were just trying to keep our heads above water. We were grateful that our daughter was making improvements and, between doctors' visits and therapies, the only other thing we could think about was ensuring that the other children were staying afloat.

About a year later, our daughter was baruch Hashem back in school, albeit with medical intervention that was still necessary. Life had finally, thankfully, settled into some sort of routine. It was at that time that I realized we really should sue. People had told us it would be a relatively "easy case," we could make a nice amount of money, and the person whose negligence had caused us this heartache should definitely pay.

I have no experience with lawyers, and I definitely didn't have an extra dime to pay for one, but someone referred me to a Mr. Jordan Steele, Esq.* Mr. Steele worked with a contingency fee arrangement and would take a percentage of whatever we would make on the deal. It took another few months, but one day I was holding a check of over $800,000 in my hands.

I remember discussing it with my wife that night at supper. She looked around at the ranch we were living in. The peeling walls, the flooring that had seen better days, the old kitchen we had promised we would one day replace. Yet my wife is always practical first. "I know Shloimy is only fourteen," she mused, "but before you know it, we'll be making weddings. I think we should put the money away."

I fully agreed. We had never needed luxuries and were used to living simply. "Since we're not going to be using the money for a while, maybe we should invest it," I leaned back thoughtfully. "How much of a percentage can we make on the money in the bank? It doesn't seem right to just leave it sitting there."

The next day, I was reading a local circular and an ad caught my eye. It was a simple ad, the type I would have never noticed before I had extra money. It asked for investors to invest in a property out west, promising a high monthly return. It said "serious inquiries only," and I was serious.

I reached out and listened to the details. It sounded very promising, and I debated how much money to put in. The investee told me the more I gave, the higher return my money would yield. He crunched the numbers with me, explaining that if I gave the full $800,000 my money would really grow. I asked for a reference, which the investee kindly provided.

The reference had only the most positive things to say, telling me that the investee was someone I could trust and had tremendous financial success. "That's why I invested in this same deal," he explained. I was sold. After signing a couple of documents that listed the prices of the real estate comps and how much they netted monthly, I proudly owned a percentage of an apartment building on the West Coast.

With the settlement and investment behind me, I could finally throw myself back into learning and teaching. Every month, a percentage of the apartment rents were direct-deposited into my bank account. It was nice to know that the extra money wasn't just "sitting" and was actually growing. *So this is how people stay in learning for so many years.* Understanding finally dawned.

I went to an internet kiosk from time to time to check up on the monthly emails from my syndicator. The months passed by uneventfully with business letters full of jargon I didn't understand, but it didn't really matter. It felt good to be part of the leagues that "owned real estate."

About six months later, I was surprised to see a personal letter from the syndicator. Usually, his emails were business-like and very commercial, almost "copy-paste" from probably many of his deals, with graphs and Excel sheets attached. In this more personal email, he wrote that due to some "complications," he was considering backing out of the deal. If so, the money would be returned to us. He asked for patience while he figured things out and said he would get back to us in 90 days. At this point, the monthly payments would come to a halt.

Three months later there was another email, confirming that the investee had backed out and was slowly, painstakingly trying to pay everyone back. Apparently, a lot of money was lost when he pulled out, but it was for our benefit so that more money wouldn't be lost. I tried calling the investee, but his phone went straight to voicemail.

Instead, desperate to reach *someone*, I reached out to the reference I had spoken to who had extolled the investment's virtues. "What's going on with the deal we invested in?" I asked him. I needed some explanation.

"Our deal? What deal?" he asked. He then told me that he had no money in the deal anymore. He had originally invested but had second thoughts when something felt off, and the syndicator told him that if he gave good information to another potential investor, he would allow him to pull his money out and be refunded.

It was only at this point that the full extent of my sorry situation hit me like a punch in the gut. I had gone into this blindly, without thinking it through or understanding the details. Now that I heard the reference had been a friend and was "getting his money back" in order to give positive information, I realized I had been taken for a ride.

After a few more emails and apologies, promises that were not kept, and too much heartache to recount, the full situation became clear: we would not be getting our money back. I was sent a check of a measly $12,000. The rest of the funds were gone. Every single penny of it.

It is now a year later. If you would meet me on the street, you would think I don't have an extra dollar to my name. And you would be right. But it wasn't always that way…

A TRANSPARITY REVIEWER WEIGHS IN

When Rabbi Kalisch* walked into the Transparity office and told us his sorry tale, my heart went out to him. He was someone who never even dreamed he would have money to invest, and in a matter of a few months, the entire sum was gone, along with his trust in others. It was truly crushing and devastating.

At Transparity, our job is to review investment opportunities *before* the person goes through with the investment. This particular deal had many red flags—here are two of them:

1. **References.** Rabbi Kalisch was wise to ask for a reference before going ahead with the deal. Yet, in addition, it is crucial that there is some type of background check on the reference to ascertain that the information they are giving is accurate and unbiased. In this case, the reference had an ulterior motive: he was told that if he gave positive information, he would be able to pull out and retrieve his assets from the deal. The information he gave was not only biased, it was also false, as he later admitted that he himself was worried about the deal.
2. **A Torah Lens.** Chazal tell us that a person should divide his assets into three: a third into business, a third into property, and a third should remain as cash available for use. When someone comes to Transparity, we explain the importance of dividing money responsibly. In the case of someone living paycheck to paycheck, it is advisable to diversify their money accordingly and not put their entire savings into one deal.

**This story is true, yet all names and identifying details have been changed.*