

**United States House of Representatives
Committee on Financial Services**

**“Assessing the Madoff Ponzi
and the Need for Regulatory Reform”**

**Statement of Allan Goldstein
January 5, 2009**

Chairman Frank and Honorable Members of the Committee, good afternoon and thank you for the opportunity to testify today on my experience with Bernard L. Madoff Securities, and the impact that Mr. Madoff’s actions have had on my family and myself.

My name is Allan Goldstein, and I am a human face on this tragedy. I speak not only for myself but for the many people who have also lost everything because of this Ponzi scheme. I have held an IRA retirement account with Mr. Madoff’s firm for approximately 21 years. I am 76 years old, and until my retirement, I worked in the textile trade buying and selling fabrics for use in women’s apparel. My wife, Ruth, and I have been married for 52 years. For the past 16 years, since my retirement, we have lived quietly in the Taconic Mountains region of New York. At this stage of our lives, I never could have envisioned the financial devastation that we are now suffering following the arrest of Mr. Madoff last month. In the blink of an eye, savings that I had struggled my entire lifetime to earn have vanished.

Like many of Mr. Madoff’s victims, we are hardly super-rich. I was born and raised in the Flatbush section of Brooklyn in a one-bedroom apartment with my parents and sister. I worked my way through New York University with two jobs to pay tuition. After school, I spent 2 years in the Army, including 16 months in Korea.

Ruth and I married in 1956. Our first home was a furnished basement apartment. My first job selling drapery fabrics paid \$200 per month. With my scant savings accumulated over

several years, I co-founded a textile company that became fairly successful during the 1970's and '80's. Throughout that time, I always remained very conservative with my money, investing it very prudently and keeping a good deal of it in money market funds.

By the late 1980's, I managed to accumulate approximately \$1.8 million dollars in my IRA. My accountant took note of the small returns from the money market funds and recommended me to Madoff Securities. He told me that Madoff generally achieved 8%-12% per year return and he employed a conservative proprietary hedging strategy that moderated market risks. In the late 1980's, I transferred \$1 million from my IRA to Mr. Madoff. I received account statements every month showing gains of 8%-12% annually. As this conservative strategy offered me peace of mind, I was willing to forgo outsized gains in boom years in favor of greater security. In the mid-1990's, I moved the rest of my IRA savings to Mr. Madoff, approximately \$1.5 million.

Since retiring in 2001 at the age of 69, we have used our savings at Madoff to pay our mortgage, taxes and general living expenses. By November 2008, our Madoff account had reached approximately \$4.2 million in stated value. Ruth and I thought we were living the American dream. Our dream as well as so many others has turned into a nightmare. We had considered Madoff Securities not as a get rich quick scheme, but as a buffer against risk. We entrusted Mr. Madoff with all we had, and now everything that I worked for over a 50-year career is gone. I have been forced to cash in my life insurance policies to pay my mortgage. We are forced to sell our home, and with the real estate market the way it is, we probably will not find a buyer and be forced into foreclosure.

I sit before you today a broken man. Throughout my life I have always believed that the American system of capitalism was the best regulated in the world and could be safely relied upon by investors like myself. But the Madoff scandal and the SEC's inability to detect it despite repeated written and other warnings have taught me that this is not the case. I believe my Government has failed us and we have suffered tragically as a result.

As with many other Madoff investors, the past several weeks have been a very difficult waiting period for my family and myself. The media has covered the scandal zealously, but there are no real details on how or when investors will see any recovery. For me, even five or six months may be too late. We simply do not have years to wait.

Our current reality has nothing to do with profligate spending or undue market risk. We conducted our affairs in good faith in the belief that the SEC would never allow this sort of scheme to be conducted. I pray that Congress will come to understand our plight and enact some emergency legislation that will allow the SIPC to loosen its standards and distribute funds as soon as possible, as well as establish a restitution fund for the Madoff victims.

We are not trust funds, hedge funds or banks. We are ordinary people who are victims of an incomprehensible crime and who have had their lives turned upside down. We are turning to you, our only hope, for relief we so desperately need.

Thank you.