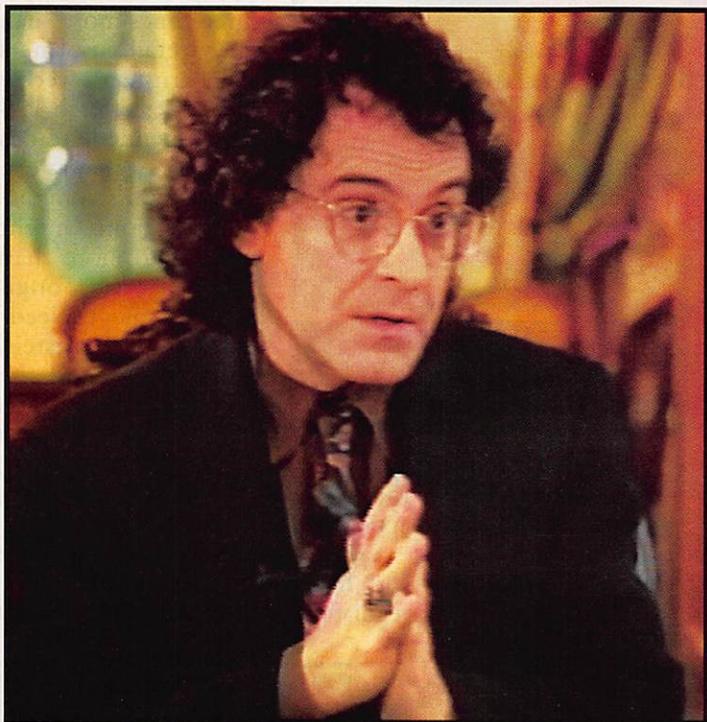


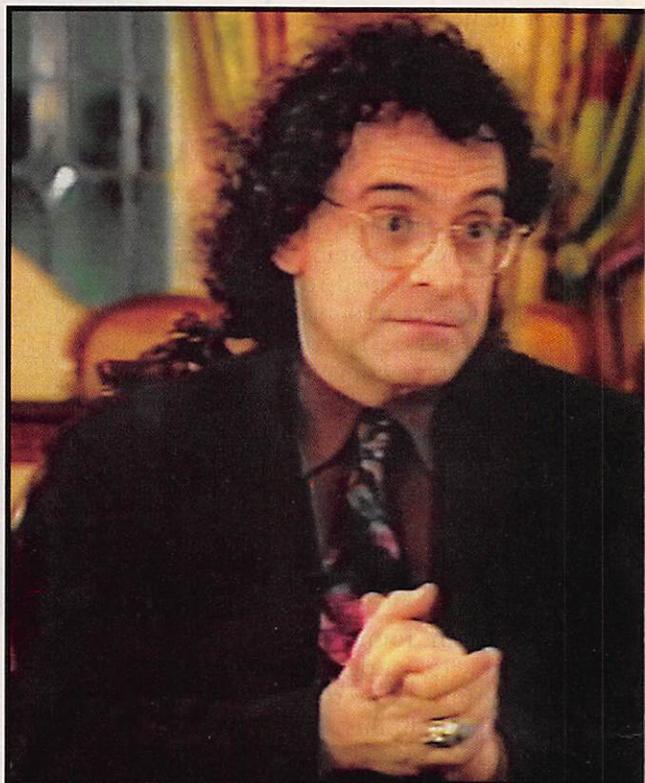
Jake Bernstein has a lousy record trading futures—but has made plenty trading on investor gullibility.

There's one born every minute

By William Green



Jake Bernstein in his infomercial "Success & You."



Bernstein "can't manage money to save his life."

"I'M TEACHING YOU SOMETHING that I know works," says Jake Bernstein. "It's real simple." Bernstein, 51, is in a Washington, D.C. hotel meeting room mesmerizing an audience of aspiring futures traders.

Want to make a killing trading futures? All you need to know, says Bernstein, is that many seasonal price patterns occur year after year. Buy live hog futures on Oct. 30 and sell on Nov. 27. That's a trade that would have made you money almost every year in recent decades, he claims. Bet on the S&P 500 March contract to rise from Jan. 12 through Jan. 18.

For 15 years, he says, this trade was a winner 93% of the time.

Does anyone believe his nonsense? Unfortunately, yes. Intoxicated by the promise of easy money, audience members line up to buy Bernstein's products, among them his books, with titles like *The Seasonal Trader's Bible* and *The Best of Bernstein: A Treasure Chest of Jake Bernstein's Market Wisdom*.

His monthly newsletter costs \$400 annually; his weekly newsletter costs \$895 a year. He sells three other newsletters, plus video courses and a CD-ROM (\$695) that lists 60,000 sea-

sonal trades. He offers telephone hot lines and charges up to \$2,500 per person for his two-day seminars.

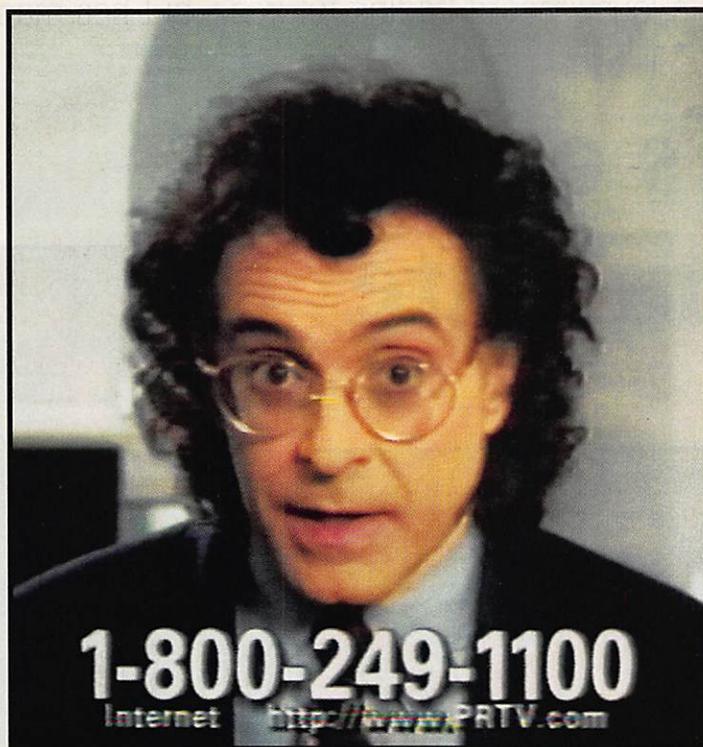
Yes, you can fool some of the people all of the time. *Commodity Traders Consumer Report*, a respected futures publication, tracks the trades Bernstein recommends in his \$895 flagship newsletter. If you had acted on these weekly tips from 1988 through 1992, you would have lost money for five consecutive years (assuming typical transaction costs).

Let's say you set up a \$20,000 trading account in 1992 and executed the newsletter's recommended trades for that year. Your account would have been wiped out. In 1996 you would have lost 95% of a \$20,000 account. Bernstein's response: "There are always losing periods."

He professes to be an expert on the psychology of trading. His qualifications? In registering with the Commodity Futures Trading Commission, the Montreal-raised Bernstein wrote that he held a master's degree in psychology from Chicago's Roosevelt University. In fact, he never completed his master's studies.

In the 1980s Bernstein hooked up with an outfit called Robbins Trading and helped to manage futures accounts for investors. James Roemer, who co-managed money with Bernstein, says: "Jake is brilliant, but he can't manage money to save his life. . . . He'd get scared, buy at highs and sell at lows. . . . He kept losing money."

Bernstein found an easier way to get rich. Instead of just trading futures he would trade on investor gullibility. In 1996 he starred in an infomercial that has aired on nearly 400 TV stations. It hypes a video course (\$180) called *Trade Your Way to Riches*. In it a farmer named Harold Henkel tells



"Trading futures is simple," claims Bernstein.

viewers how well Bernstein's approach has worked for him. Henkel, however, now admits that he lost money trading in 1996 and 1997 while using Bernstein's products.

On his Web site Bernstein offers to set up customers with his "personal"

brokers at Fox Investments, a division of the Chicago brokerage firm Rosenthal Collins Group.

Suppose you take Bernstein's recommendation and set up an account at Fox with \$5,000—the minimum that Bernstein says you need to become a trader. Your commissions would be \$60 to \$80 per trade, about three times more than savvy retail customers pay. Bernstein's weekly newsletter offered 195 recommended trades last year. At that rate, a small trader's commissions alone might amount to more than double his or her original investment. Needless to say, Bernstein receives a slice of the brokerage's commissions. A Fox broker

appeared in Bernstein's infomercial, touting his seasonal trading approach.

Says Bernstein: "There's no arguing with history." Say we: Where are the regulators when you need them? ■

Commodity shark

JAKE BERNSTEIN is not alone. Another prominent purveyor of hype is Ken Roberts, a college dropout and former life insurance salesman. Roberts convinces neophytes that they can become successful traders with a grubstake of only \$1,000.

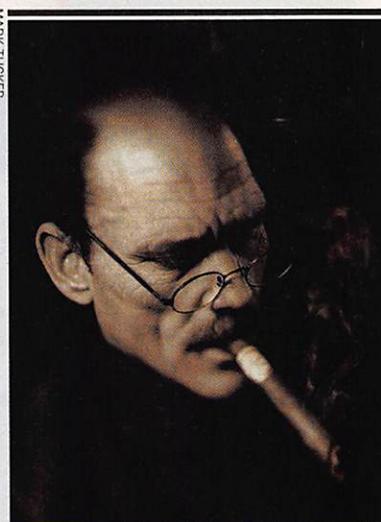
In 1983 he self-published *The World's Most Powerful Money Manual & Course*, a mail-order book that intersperses tips on futures with platitudes about getting "everything you want (mentally, physically, and spiritually)." He claims to have sold more than 300,000 copies. At \$195 each, that adds up to nearly \$60 million.

Roberts, who touts futures trading as "the world's one perfect business," charges \$2,695 for his advanced trading seminar. He hawks trading charts, a course on options, a newsletter and his novel, *The Rich Man's Secret*.

He also owns a piece of a California brokerage firm, Main Street Trading. It charges commissions so high—\$95 a trade—they virtually assure that most small active traders will lose money.

The hype has paid off for Roberts. It has brought him tens of millions of dollars and an Oregon mansion with a cigar room. But where are the customers' mansions? —W.G. ■

MARK TUCKER



Commodities trader Ken Roberts
A college dropout turned futures guru.