

The *Mish*

- 76 ONE-TWO PUNCH
- 80 OFF THE COUCH
- 82 CUT 'N PASTE
- 84 SHUL WITH A VIEW
- 86 SUMMER JOB



Mishpacha

A Potpourri of Encounters and Impressions

THE MONEY TRAP

REAL PEOPLE.
REAL MONEY.
REAL MISTAKES.

FOREWARNED IS FOREARMED

Postdated checks are as Israeli as falafel and hummus. When used correctly, they're a tremendous help for cash-strapped individuals and businesses. But when a postdated check is used irresponsibly or illicitly, that innocuous-looking piece of paper can become a ticket to financial ruin — as several financially struggling *avreichim* found out

THE POSTDATE BLUES

[THE PLAYERS]

Name: Mendy and Ilana Shapiro
Age: Mid 30s
Number of Children: 4
Residence: Kiryat Sefer

[THE LURE]

"Don't worry about it. Write me a postdated check for \$10,000 and you'll not only get your money back, you'll earn a little interest as well"

[THE BACKGROUND]

For many Israelis, postdated checks are a way of life. They use them to pay rent, school fees, installments on the new fridge, and other big-ticket items, like *simchahs*. But while we can understand why cash-strapped individuals use them, what do the businesses gain by accepting postdated checks?

The answer is that Israeli banks will accept postdated checks as collateral, allowing businesses to increase their available line of credit, based upon the value of the checks they've deposited in their account.

So if postdated checks are a win-win situation for everyone, what could possibly be bad?

Unfortunately, in the hands of an unscrupulous person, a postdated check can turn into a date with disaster, as Mendy Shapiro discovered too late.

MENDY'S STORY

I have a friend — we'll call him Danny — who once did me a big favor. I made a bad investment and lost a lot of money. I had taken out a loan to invest in a business, and the loan repayments were choking me and causing *shalom bayis* problems between me and my wife. Danny heard about my financial problems and offered his help. "I thought we were friends. Why didn't you call me? How much do you need?"

I didn't want to accept Danny's money. But he insisted. He said his financial investment business was doing great, *baruch Hashem*. And a big part of the *nachas* he was getting from the business was being able to help others. He wrote me a check, which he said I had better deposit, and he didn't want to hear another word.

That was Danny. Even in yeshivah he was like that. If he wanted to order a pizza and some of the other guys couldn't pay for their share, he'd say, "Don't worry, it's on me. Next time, *b'ezras Hashem*, you'll be the one to pay."

So, I was able to repay my loan, thanks to Danny, and get my life back to normal. And I could see he was doing really well. He moved into a place that was twice the size

INSIDER INFORMATION

Unfortunately, Mendy's experience wasn't an isolated event in our community. According to Meir Shterenberg, project director of JOIN Israel's Pitronot advocacy program, which helps Israelis who have fallen into financial and legal quagmires, most of the time a businessperson who steals from his friends doesn't start out that way. So, what happened?

of his first apartment. Every year he upgraded his car for a new model. He took his family to five-star hotels for Pesach. And he was starting to get a reputation as a *gvir* — a guy you could go to if you needed a loan, or if you needed money to marry off a child.

I felt really proud to have him as my friend. So when he called one night and asked if I could do him a favor, I said, "Whatever you need, I'll do it!" I was thinking maybe he needed someone to deliver a *tzedakah* check, or something like that. I was totally taken by surprise when he said his business was having some problems — nothing serious, but he needed help with covering some debts.

I didn't see how I could help him. I live pretty much from paycheck to paycheck. He told me I didn't need to give him actual money. All I had to do was give him five postdated checks, for a total of \$50,000. He'd pay me back before the checks came due. In the meantime, I'd be able to earn a little extra money — 2 percent interest on the checks per month — which he'd deposit in my bank account every month.

DRAWING A BLANK

When I asked what he intended to do with my checks, Danny assured me there was no need to worry.

When I still hesitated, Danny said, "Let's make it easy. I'll give you five of my own checks. I work all the time with one of the big insurance companies. I'll get them to guarantee the checks and give you a copy of the agreement. If, worst-case scenario, one of your postdated checks comes due and I can't pay you back in time, you can get your money from the insurance company. I'll square it with the company later, when I'm back on my feet."

The guarantee sounded good. Still, I told Danny I first had to consult with my *rav*. "That's a great idea," he told me. "I know there's absolutely no risk, but I want you to be 100 percent comfortable with this."

My *rav*, who knew Danny, agreed he was a trustworthy guy. But to cover myself, my *rav* told me to make sure to make out each check to Danny and fill in the amount.

Danny and I agreed on a time to meet. But on the day, someone else came to my door. He said something last-minute had come up and Danny had sent him to be his *shaliach*. While I went to get my checkbook, the guy told me, "I'm in a hurry. So

"There are basically two kinds of people," he explains. "In one scenario, the person's business loses a large sum of money. If he's a strong person with good *middos*, he'll be honest with himself and with others and say, 'I tried and I failed. I'll try to return the money I owe. But I won't try to save this business, because I see that I'll only lose more money.'

"Sometimes, though, the person isn't strong. When his business fails, he'll say to his family and friends, 'I am a drop short. I just need a bit more money, like NIS 100,000, to get back on my feet. With that money, the business will be profitable and we'll all make money.' When he can't pay back the money he has borrowed from them, he gets money from more people and uses that money to pay off the first group, instead of investing it in his business. So even though he started out as an honest person, once he falls into a financial hole, he can end up doing dishonest things."

Meir adds that people who fall into the trap of using questionable schemes to solve their financial problems generally fit into a certain profile: They're well-liked and well-connected — they often come from a good family — which contributes to their aura of success. Otherwise they wouldn't be able to pull this off, or perhaps even try.

"But you can never know what's in another person's heart," Meir warns. "Outward displays of success can

mean nothing. Those who resort to Ponzi scheme are often in desperate straits. They owe money to everyone.

"A person may have been trustworthy for years, but you can't know if he will still be trustworthy tomorrow or in six months. Or he could be a salesperson for an investment company or a third party; he's 100 percent honest, but the owners aren't."

Of course, that doesn't mean a person should never trust anyone or invest his money. You just need to be reasonably cautious, says Meir, and follow two basic rules:

- **Don't invest money you don't have.** There is no such thing as a business that doesn't have risk. Even successful businesspeople will fail at some point in their career. Therefore, no matter what guarantees you get, you need to be prepared in case something goes wrong. A good question to ask, before you invest, is this: If your investment is lost, are you able to leave the money on the table and walk away, or will it destroy your life?
- **Ask for advice.** If you don't understand the business, it doesn't matter how nice or respected or charismatic the person asking you to invest is; you need to go to a financial advisor or a *dayan* who deals with financial matters and ask if the deal sounds reasonable.

just sign the checks and leave the rest blank. Danny will take care of it.” When I protested, he gave me a whole *shpiel*: Everyone gives people open checks. How come you don’t trust your friend? How can you be so ungrateful, after your friend helped you out in the past?

He really put the pressure on me, until I felt like a worm. So I just signed my name and handed over five blank checks. Then he gave me five of Danny’s personal checks, which were made out to me for the amount of \$10,000 each. Attached to each check was a signed guarantee from the insurance company.

At first, Danny deposited some money into my account every month. When the payments stopped, Danny assured me there had probably been a glitch in the bank’s computer system. He’d take care of it the next time he went to his bank.

Then one day I got a phone call from someone I didn’t know. He said he had a check of mine — it was for \$10,000 — and it had bounced. What was I going to do about it?

I’m not the kind of guy who falls to pieces over every little thing, but there was something about the way this guy spoke that made me get a sick feeling in the pit of my stomach. He didn’t actually threaten me, you understand. But I was definitely afraid.

DUPED!

The next day I ran to the bank and deposited one of Danny’s checks.

A few days later I received notice that Danny’s check had bounced. I wasn’t entirely surprised. I immediately called the insurance company, explained the

situation, and asked what I should do next. The clerk told me I could flush the guarantee down the toilet.

“Excuse me?” I said. “I have a signed form from your company saying you will honor the check.”

“You said it’s a personal check, right?”

“Right.”

“Our company doesn’t guarantee personal checks. We only work with companies and institutions.”

Rather than argue, I asked if I could fax the clerk the form. About half an hour later he called back. “I’m sorry you got taken for a ride, but there is no way my company is going to honor this check,” he told me. “The guarantee is a forgery.”

I felt ready to pass out. I punched in Danny’s phone number. When he answered the phone, I told him what had happened. He didn’t say anything. There was just this black empty space between us. When he finally did speak, he said, “Mendy, I’d love to help you, but I’m in deep financial trouble myself.”

The line went dead.

PAY-UP DAY

Later, I got four more phone calls. The conversations weren’t pleasant. In total, I owed people not \$50,000, as I thought would be my maximum liability, but \$150,000. Danny had upped the amounts on the other blank checks, without telling me.

By this time Danny had disappeared. The last I heard from him was a WhatsApp message saying he was really sorry for what had happened. He was too deep in debt to pay back our money, but

he hoped that one day he’d be able to return every penny. For now, he needed some time alone to think things out.

From the message, I understood I wasn’t the only one who had lost money. I met a few of the others, and together we pieced together what we think happened. When Danny’s investment business got hit with some big losses, he didn’t want to admit this to his investors. So to keep paying them a decent return, he began to borrow from people like me. He took our postdated checks to the black market, where there are companies that buy them at a discount. Danny used the money to keep his business afloat and to pay us the interest we were supposedly earning on the checks. But he had other expenses as well, especially because he was still pretending to be a big *gvir*. So his debts kept getting bigger — which meant he had to convince more people to give him checks, which meant he had even more people to pay off every month.

I suppose I should be angrier at Danny than I am. The truth is that the person I’m angriest at is me. I knew better than to give anyone an open check for such a large amount of money — friend or no friend. And I truly believe that at first, Danny meant to pay me back. But when you’re drowning in debt, you’re tempted to do all sorts of crazy things.

I’ll probably be paying off the money I owe until I’m an old man. Even though it really hurts me that my family has to pay for my mistake, at least I didn’t drag anyone else into the pit. I can still look my friends in the eye, and that’s something. ●