The mystery of Madoff: where did all the money go?

Investigators have absolutely no idea about the whereabouts of the billions of dollars the fraudster Bernard Madoff stole from his victims.

On 29 June the judge condemned the 71-year-old Madoff to the toughest possible sentence, placing him behind bars for the rest of his life.

He also granted authorities the additional 90 days they had requested to locate money swindled by Madoff, the former Nasdaq chairman once among the most respected figures in the investment world.

Madoff was the mastermind behind one of the world’s biggest financial scams, which unravelled during the global economic meltdown late last year, robbing thousands of investors of retirement nest eggs.

Among his victims were international celebrities and several of the world’s best-known banks.

The fraudster meanwhile enjoyed all the trappings of a fabulously wealthy lifestyle, including four yachts, a Manhattan penthouse, a Florida mansion, a pied-a-terre in the south of France and other luxuries.

Prosecutors have found that some $13bn was invested with Madoff by his clients, but the authorities have so far recovered just $1.2bn.

Deceived clients meanwhile had believed their money was actually invested and by now should have been worth some $65bn.

With most of the money missing and unaccounted for, questions are swirling during the investigation. Who pocketed the rest of the money - a sum exceeding the gross national products of numerous countries?

During the course of the trial one weeping victim pleaded with Madoff to say whether he might have deposited the stolen cash in an overseas bank.
“Mr Madoff did not hide money overseas,” Madoff’s lawyer replied.

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"With reference to the above story the whole point of a Ponzi scheme is that the money (or at least the profits claimed) never existed – those encashing are simply paid from new investors entering the scheme. So where did the money go – the simple answer is that the new money was used to pay off existing investors who encashed at prices (or profits) that never existed. There is no money (or very little) to get back." A.G.

"The very nature of a Ponzi scam invariably ends up with the money mostly long gone. If you are paying out unrealistic phantom profits when in reality you have not invested a cent for fifteen years it does not take a genius to work out that the pot is empty and the well has run dry. I am sure there is enough to keep me in San Miguels for life, but as for paying back millions or billions - no way José." G.R-J.

"This is a very good question and one that I certainly have been asking. Just dealing with the 2 key figures quoted (and accepting them):
13 billion invested
1.2 billion recovered"
The “Ponzi scheme answer” does not really answer this question satisfactorily. This would only be correct, if existing investors liquidated (or took profits) on their investments to the value of 11.8 billion. I doubt very much whether this was the case. I expect that most investors were happy to see “the return” on the performance sheets. So, for my liking, this question needs to be pursued further.”

F.V.L.