

No Free Lunch: How Senior Can Avoid Investment Fraud

By Mary L. Mohr, Executive Director, Retirement Industry Trust Association

A Baby Boomer is turning 60 every 8 seconds and is a key target for investment fraud from many different sources. You have probably received phone calls at home, direct mail marketing brochures and internet messages inviting you to free lunches or dinners at popular local restaurants. Many financial organizations sponsor investment seminars that are aimed at seniors. Sometimes they target religious, military or affiliated groups where people have common interests. The presenters may call themselves “Senior Investment Specialists” or “Certified Investment Counselors”. Often they purport to educate you on investments while intentionally gathering key financial information. They can pitch lifetime income products that may have “guaranteed” or “risk-free” returns. While many of these investment advisers and their firms may be legitimate and follow the strict regulatory guidelines for these seminars, we want to help seniors protect themselves from potential pitfalls and problems.

Since seniors own more than half of all the financial assets in America, they are vulnerable to financial scams. People over 65 years old comprise 11% of the U.S. population but represent 30% of the scam victims according to the U.S. Subcommittee on Health and Long term Care. At the Securities and Exchange Commission’s (SEC) 2006 *Senior Summit*, data presented indicated that 75% of the nation’s consumer financial assets valued at \$16 trillion are held by households headed by someone who is 50 or older.

Seniors are targeted via newspaper ads, mass mailings, mass emails and on websites by financial firms seeking to sell products. They may offer door prizes, free books and vacation deals to lure seniors to attend for a free meal. The ads may say “seating limited” or “call **now** to reserve a seat”. The primary purpose of these seminars is to sell you new financial products. These products may include: variable or fixed annuities, real estate investment trusts, equity indexed annuities, mutual funds, private placement of speculative securities (such as oil and gas interests) and reverse mortgages. Although these “workshops” may be informational, you should be very careful to divulge any financial information to the sponsors.

One frequent tactic is to gather personal and financial data from you through a private consultation following the seminar. You may be asked to bring statements from your annuities, mutual funds, brokerage firms or insurance policies for a “free” review. A typical sales pitch is to twist your current annuity into a new product with surrender fees if you cancel within the next 7 years. These products carry high commissions and are very lucrative for the financial firms buying your free lunch or dinner. These products may not be suitable for you depending on your age and risk tolerance. In some cases, these sales seminars may involve fraud.

How can you protect yourself from these potential abuses? Before you attend a seminar, take time to research the sponsor and the financial adviser. Take a close look at the investments being offered and get a second opinion from a trustworthy family member, friend or financial adviser. Investment advisers have a fiduciary duty to provide full and fair disclosure of all material facts to their clients and any potential clients. They cannot use testimonials of people who purchased investments in the past to entice sales of new products or to predict future performance success. If the sales agent is making a recommendation to you based on “inside” or “confidential”



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EXECUTIVE DIRECTOR

information, an upcoming favorable research report or a prospective merger or acquisition, be suspect of these pitches. Remember, if it sounds too good to be true, it probably is.

In summary, if you are a senior citizen or soon to become one, realize that you will be a likely target for investment pitches. Through various marketing and advertising techniques, financial firms will find you and invite you to free lunch or dinner seminars under the guise of improving your financial education. Various products will be presented and you will be contacted for follow up. Be careful with whom you choose to disclose your financial information and be sure to check out the financial firm and adviser before deciding to purchase any investments.



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Below is a list of Resources for Seniors that you may find helpful:

-The SEC provides information for senior investors including explanations of different products, asset allocation and risk. <http://www.sec.gov/investor/seniors.shtml>

-FINRA also provides information for seniors and a system to check on financial advisers via *Broker Check* that gives you the ability to look up the history of an investment professional to see if they have prior complaints or problems.

<http://www.finra.org/InvestorInformation/InvestorProtection/ChecktheBackgroundofYourInvestmentProfessional/index.htm>

Also see FINRA's investment alerts for current investment scams

<http://www.finra.org/InvestorInformation/InvestorAlerts/index.htm>

-The North American Securities Administrator Association (NASAA) also has helpful information available for seniors

http://www.nasaa.org/Investor_Education/Senior_Investor_Resource_Center/

Also see NASSA's Investor Alert at www.nasaa.org.

The Retirement Industry Trust Association is a national, non-profit organization comprised of trust companies that administer self-directed retirement plans. Its website is www.rita.us