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FOR IMMEDIATE RELEASE

State Securities Cops Warn Seniors to be on the Lookout for Investment Fraud

(MONTGOMERY, ALABAMA) September 4, 2003 – Unsteady stock markets, record low interest rates and rising health care costs are combining to create a perfect storm for investment fraud against senior investors, the Alabama Securities Commission warned today.

Joseph P. Borg, Director, Alabama Securities Commission alerted senior investors to the dangers of investment fraud and urged seniors to take control of their financial health. “I’m deeply concerned that a perfect storm for investment fraud is brewing and Alabama seniors are most at risk,” said Borg.

Borg said the collapse of the bubble economy, coupled with interest rates at 45-year-lows, and rising costs for medical insurance, prescription drugs and basic living expenses, have brought con artists from the side streets and back alleys to Main Street where older investors live. “These are dangerous times for seniors, our most financially vulnerable citizens. They need education, they need protection,” Borg said.

State securities regulators say older investors are being targeted with increasingly complex investment scams involving unregistered securities, promissory notes, charitable gift annuities, viatical settlements, and Ponzi schemes all promising inflated returns.

“Behind these schemes are opportunists who know that seniors and others living on fixed incomes are being squeezed in the current financial environment,” Borg said. “Their products and pitches sound tempting to many seniors who’ve seen their retirement accounts dwindle in recent years – and who don’t have the benefit of time to recoup their losses.”

In Delaware, for example, a widow sold her house to purchase a promissory note offering 10 to 50 percent annual returns in response to an ad in a publication entitled “Better Years.” The unregistered investment turned out to be fraudulent and the 78-year-old woman now lives with her son and works as a convenience store clerk to make ends meet.

Borg said, “Recently the Commission has been very concerned because a number of senior citizens in Alabama have considered moving some very solvent pension plan funds into high risk investments such as options or initial public offerings (IPO’s). Also, some senior citizens are transferring their whole pensions to callable CDs and locking into a situation where they can’t get to their money for 10-15 years. The Commission has information for seniors to learn about different investment products and solid investing principles such as diversification before they make an investment decision.”

Borg urged seniors not to be ashamed to admit that they have been victims of investment fraud. “Silence will only help the con artists lead another victim into the trap. Every day that

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financial fraud goes unreported is another day that criminals can steal retirement savings from unsuspecting seniors,” Borg said.

“Common sense tells you that if something sounds too good to be true it almost always is. But you don’t have to rely on common sense alone,” Borg said. Senior investors can contact their state securities regulator with any questions about an investment. Seniors also can learn more about the dangers of investment fraud by visiting the online Senior Investor Resource Center at (www.nasaa.org), a site developed specifically for senior audiences and offers a variety of important information and resources.

The Senior Investor Resource Center offers: A checklist of questions seniors can ask before making an investment decision; common sense solutions to protect your nest egg from investment fraud; information about the top frauds targeting seniors; contact information for securities regulators in each state, the District of Columbia, Canada, Mexico and Puerto Rico; an Investors Bill of Rights; an investor fraud awareness quiz and links to a variety of investor education publications and programs offered by state securities regulators and others to help seniors fight investment fraud.

“It is never too late to learn,” Borg said and offered the following tips to help seniors protect their retirement assets.

- **Don’t be a courtesy victim.** Con artists will not hesitate to exploit your good manners. Save your good manners for friends and family members, not strangers looking for a quick buck!
- **Check out strangers touting strange deals.** Trusting strangers is a mistake everyone makes when it comes to their personal finances. Extensive background information on investment salespeople and firms is available from the Central Registration Depository (CRD) files available from your state securities agency.
- **Always stay in charge of your money.** Beware of anyone who suggests putting your money into something you don’t understand or who urges that you leave everything in his or her hands.
- **Don’t judge a book by its cover.** Successful con artists sound and look extremely professional and have the ability to make even the flimsiest investment deal sound as safe and sound as putting money in the bank. The sound of a voice, particularly on the phone, has no bearing on the soundness of an investment opportunity.
- **Watch out for salespeople who prey on your fears.** Con artists know that you worry about outliving your savings. Fear can cloud your good judgment. An investment that is right for you will make sense because you understand it and feel comfortable with the risk involved.
- **Don’t make a tragedy worse with rash financial decisions.** The death or hospitalization of a spouse has many sad consequences – financial fraud shouldn’t be one of

them. If you find yourself suddenly in charge of your own finances, get the facts before you make any decisions. Arm yourself with information and your confidence will send con men running.

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- **Monitor your investments and ask tough questions.** Don't compound the mistake of trusting an unscrupulous investment professional or outright con artist by failing to keep an eye on the progress of your investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. And if you are stalled when you want to pull out your principal or profits from an investment, you have uncovered someone who wants to cheat you.
- **Don't let embarrassment or fear keep you from reporting investment fraud or abuse.** Con artists know that you might hesitate to report that you have been victimized in financial schemes out of embarrassment or fear. Con artists prey on your sensitivities and, in fact, count on these fears preventing or delaying the point at which authorities are notified of a scam. Every day that you delay reporting fraud is one more day that the con artist is spending your money and finding new victims.

For more information contact the Alabama Securities Commission:

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