

SENIOR INVESTMENT FRAUD OP-ED

Protecting Seniors from Investment Fraud

From the “Greatest Generation” to the “Baby Boomers,” seniors have worked hard to build our nation’s prosperity and their own lifetime savings. As Kentucky’s securities regulator, I am committed to using every available resource to ensure that the golden years of Kentucky seniors are not tarnished by investment fraud.

With the first Baby Boomers turning 60 this year, my fellow state securities regulators and I fear that investment fraud among seniors could grow significantly. That’s why we are pleased that federal regulators and others have joined us in our ongoing efforts to fight senior investment fraud through targeted, aggressive enforcement combined with financial education to protect investors from unscrupulous individuals.

Con artists know retirees are living longer and facing greater responsibility for their financial security. Seniors are being flooded with pitches for investment seminars, many of which promise a free meal and a “free lunch” – investments with “little or no risk and higher returns.” Unfortunately, in many of the cases that we see, it’s just the opposite: high risk and no returns, just disastrous losses.

The North American Securities Administrators Association reports that nearly half of all investor complaints received by state securities regulators – and a third of all enforcement actions – involve senior investment fraud.

The association also found in a survey that unregistered securities, variable annuities and equity-indexed annuities are the products most often involved in senior investment fraud.

We have seen a proliferation of unlicensed individuals promoting and selling unregistered securities to seniors. And we continue to be concerned about the way in which variable and equity-indexed annuities – legitimate and suitable investments for some but unsuitable for many retirees – are being marketed to seniors. They are pitched aggressively through investment seminars, where participants aren’t always told about high surrender charges for early withdrawals, the potential of exposure to market risk, and the steep sales commissions that agents often earn for moving investors into these products.

To learn how you can protect yourself or a loved one from senior investment fraud, contact the Kentucky Office of Financial Institutions (OFI) at (800) 223-2579 or visit the online Senior Investor Resource Center at http://www.nasaa.org/Investor_Education/Senior_Investor_Resource_Center.

We also urge seniors throughout Kentucky to make sure they do business only with individuals licensed by OFI. We license brokers and investment advisers after they pass rigorous competency examinations.

Today's senior investors are our parents, our teachers, and our coaches – the people we looked up to in our childhood. They deserve the same respect today. The Commonwealth of Kentucky will not tolerate their victimization.

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