FEELING GOOD ABOUT INVESTING

An Rx For Baby Boomers - And Beyond

Connecticut Department of Banking
Securities and Business Investments Division

Feeling Good About Investing
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Auntie Mame:	*Oh, Agnes! Here you've been taking my dictation for weeks and you haven't gotten the message of my book: live!*
Agnes Gooch:	*Live?*
Auntie Mame:	*Yes! Live! Life's a banquet and most poor suckers are starving to death!*

Mame (1958 production)

REVIVING YOUR INVESTMENT OUTLOOK

If you are one of over 72 million Americans who are 50 or older, you may have more time and some extra money set aside after a lifetime of savings and employment. Or you may still be working, struggling to keep afloat in a sluggish economy. As interest rates on traditional savings accounts continue to drop, you may be tempted to invest in securities (stocks, bonds or mutual funds) to keep pace with inflation. Yes, some people have lost money by investing in securities that were either too risky or even fraudulent. Dishonest promoters have even targeted newly retired employees receiving lump sum pension payments, recently widowed individuals or retirees who just sold their homes. Financial losses hurt the most if you lack the time or ability to replace lost monies with future wages.

You can decrease your chances of becoming a victim by adopting a healthy investment lifestyle.

TRAITS OF A HEALTHY INVESTOR

Financial Goals

You alone know what is financially best for you and your family. Pin down your financial goals, and they will be easier to reach. Do you need a regular return of income each month? Quick, easy access to your money? Will tax consequences influence your investment choices?

Know Your Risk Limits

Don't overexert yourself when it comes to risk. While "no pain, no gain" applies to investments as well as to working out on a treadmill, don't invest in a speculative investment if you cannot afford to lose all or part of your money. No investment is risk-free, and anyone guaranteeing you bloated returns with zero risk is bluffing.

Take your "risk pulse" by rating the following investments **Higher Risk** or **Lower Risk** (answers below):

(a) Mutual funds that invest in government securities ________

(b) High yield or "junk" bond funds ________

(c) Illiquid limited partnerships where you may have trouble selling or liquidating your investment back into cash ________

(d) "Penny stocks" priced at $5 or less per share in a company without a proven track record ________

Answers: (a) Lower; (b) Higher; (c) Higher; (d) Higher

Tell Your Financial Planner About Your Financial Goals and Risk Preferences

Financial professionals can be helpful investment coaches, but they are not telepathic. Before you invest, make sure you write down your financial needs and risk preferences and show them to your financial adviser or investment salesperson. Then have your financial professional confirm your financial goals, investing experience and risk tolerance to you in writing. If you are unsure about an investment product, ask questions and get a second opinion.

Only Invest In What You Understand

You wouldn't take a pill without knowing what it is. Why should investing be any different? The more you know about an investment, the better investment choices you will make. You can research investments online, at public libraries or in bookstores. Remember: Once you invest, it's too late to change your mind.

Let's compare bank products with investments. Bank deposits consist of money you put in a savings or checking account. Certificates of deposit (CDs) are a special type of deposit that earn higher interest because you agree to keep your money on deposit for a longer time. Banks must return your deposited money when you ask for it (although you may be penalized for withdrawing your money early from a CD). The Federal

Deposit Insurance Corporation (FDIC) generally insures bank deposits for up to $250,000 if something happens to your bank and it cannot return your money. By contrast, investments like mutual funds are NOT insured by the FDIC against loss, even if you buy them at a bank. The Securities Investor Protection Corporation (SIPC) (www.sipc.org) is a nonprofit corporation overseen by the federal government that offers protection to investors against the loss of their securities if the brokerage firm holding those securities fails. SIPC will NOT protect customers if their investments lose money due to declines in market values.

Not all mutual funds are created equal. Some may strive for aggressive growth, others for conservative income. A mutual fund's name may not truly capture its actual investment objectives. Just because a fund is called an "income" fund or a "government" fund doesn't mean it is risk free. And last year's "top rated" mutual fund may be this year's underperformer. It all depends on the market.

Understand the Ingredients of an Investment: Read the Prospectus

A prospectus is a written legal document that gives you important information about a mutual fund or other investment. Be sure to read the prospectus before investing. You can find many prospectuses on the Securities and Exchange Commission's online EDGAR database at www.sec.gov. The prospectus will explain the investment risks, the sales charges you'll pay for buying or selling the investment, the financial and background history of the company issuing the security, and any regulatory actions taken by the state or federal government against the company. Don't put off reading the prospectus because a smooth-talking salesperson tells you it's not important.

Figure Out What An Investment Will Cost

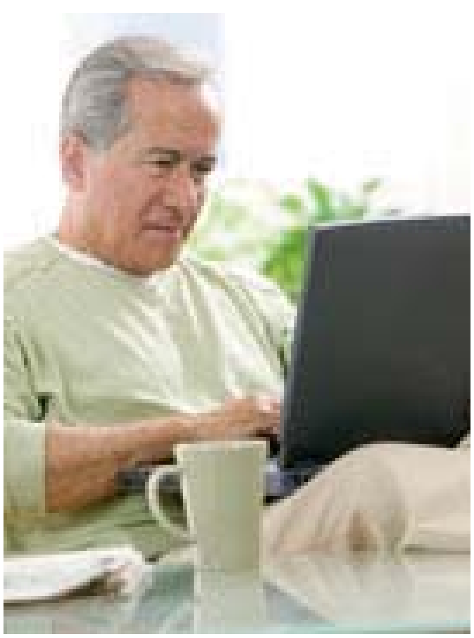
Securities brokers get a commission or other payment when they sell you a securities product. Commission expenses and fees directly reduce your rate of return. Ask about any extra compensation or incentives your broker may receive. Even though a broker may introduce himself as a "financial consultant" or "investment counselor", he may not necessarily give you impartial advice or have any extra training or expertise other than selling stocks and bonds. In addition, if a brokerage firm sponsors an investment, the individual broker may be more motivated to recommend it to you. Also ask about any additional charges you must pay to maintain an account.

Mutual funds have their own fee structure. Mutual funds are sold at net asset value (NAV). You can find a fund's NAV in newspapers or online. We calculate NAV by dividing the fund's assets by the number of shares owned by investors. If you buy mutual fund shares, you will pay the NAV plus any sales charge. By avoiding sales charges, you will have more money to actually invest in a fund. Mutual funds assessing sales charges are called "load funds." Mutual funds with no sales charges are called "no-load" funds. Funds can also impose sales charges when investors buy shares ("front-end loads") or when investors redeem or sell their shares ("back-end loads"). Shares may be redeemed at the NAV of the fund at any time, less any sales charge imposed.

Some funds charge investors for reinvesting dividends, or income earned, back into the fund. Other funds periodically charge management or advisory fees and 12b-1 fees to pay for advertising and marketing costs; like sales commissions, these fees reduce your return. A no-load fund with high fees may be more expensive over time than a load fund with lower fees.

Be Your Own Detective

An ounce of skepticism is worth a pound of cure. Ask your salesperson about his or her employment experience, education and disciplinary history or problems encountered with regulatory agencies. You can also find out quite a bit about your securities salesperson or brokerage firm by contacting the Connecticut Department of Banking's Securities Division. The Division can tell you if the individual or firm is licensed and whether the individual or firm has any disciplinary incidents.



Avoid persons with track records of regulatory disciplinary actions, negative arbitration decisions and civil litigation judgments. You can also search FINRA's online BrokerCheck (http://brokercheck.finra.org) to obtain online delivery of a background report, including disciplinary history, on individual brokers and brokerage firms.

Almost all investment opportunities must be registered in the state where they are sold. You can also check out a potential investment product by contacting the Securities Division. Although we can't make your investment decision for you, we can tell you whether or not particular securities are registered with the Division.

Before You Invest ...

Understand what you are buying and investigate the salesperson.

Contact the Connecticut Securities Division to learn whether a salesperson or firm is licensed and whether an investment opportunity is registered with the State of Connecticut.

1-800-831-7225
www.ct.gov/dob

SYMPTOMS OF FRAUD

- *Persistent Telemarketers*

  Treatment: Shock Therapy

Your first instinct is to be nice to phone callers, but when it comes to telemarketers demanding your money, you are under no obligation to stay on the phone. Just say "no" and hang up. This shock therapy technique works wonders.

- *Strangers Bearing Stock Tips*

  Treatment: Take With a Grain of Salt

When a stranger calls promoting an investment, ask yourself, "Why me?" If the promoter has a "hot" tip based on "inside" information, why isn't he sharing it with his friends and family? Better yet, why isn't he rich instead of eking out a living as a telemarketer? Ask if the person will explain the investment proposal to your attorney or accountant or to a family member. If you receive a challenging reply, such as "Can't you make your own decisions?" it is time to hang up. (See Shock Therapy technique above.)

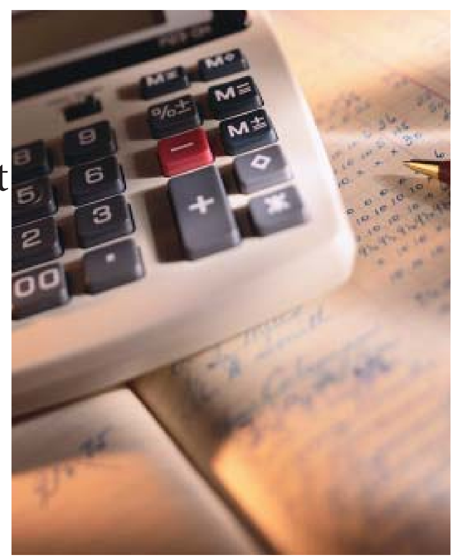
- *Loss of Investment Control*

  Treatment: Apply Pressure

Don't let an unknown stockbroker, financial planner or telemarketer take over your financial affairs. Stay in charge. Carefully read everything before signing any papers. If you have trouble understanding a legal document or monitoring an investment, seek help from a family member or legal professional. **Never** give a stranger your social security number, your bank account numbers, the date a bank certificate of deposit (CD) is coming due or a copy of your signature. Dishonest people can use this information to steal your money.

When you buy a securities product, never make your check out to an individual salesperson. In addition, if a salesperson offers to have an overnight courier pick up your money, beware.

Actively follow up on your investment. You should receive regular written reports on your investments. If you have invested in a mutual fund or other security, your reports should come from the security's issuer and not the salesperson.



Keep good records concerning your investments. Keeping account forms, transaction statements or confirmations, and copies of correspondence or notes detailing your instructions to a stockbroker or financial planner can provide an effective "paper trail" if a problem arises in the future.

Look for signs of excessive trading of your funds or unauthorized trading which may be generating extra commission income for a salesperson at your expense. Be wary of recommendations to dramatically change your financial goals or to take increased risks that may be difficult to afford if losses occur. Insist that account errors or discrepancies be promptly explained in writing and verify that requested corrections have been made on your next statement. If your broker is unwilling to resolve a complaint, bring the complaint to his or her branch manager. If you think something is wrong, file a written complaint with the Securities Division outlining the problem and the parties involved.

Siren Songs and Smooth Talkers
Treatment: Turn a Deaf Ear

Experienced scam artists croon, wheedle and manipulate, calling or e-mailing several times just to chat and earn your trust. They can make even the flimsiest deal seem safe. The sound of someone's voice, particularly over the telephone, has no bearing on whether a potential investment is legitimate or wise. Always carefully investigate the salesperson, the firm and the investment opportunity before investing your money.

Pushing Your Buttons
Treatment: Develop a Thick Skin

Unscrupulous salespeople can try to exploit your natural fears and emotions. If you are worried that your savings will run out or that future health care costs may overwhelm you, a salesperson may repeatedly try to reassure you that investing in the product he or she is promoting will ease your troubles. Fear of an uncertain future and an understandable desire for financial security can cloud someone's good judgment and leave a person in a much worse financial situation. Promoters count on people listening only to their attractive sales pitches and not looking further into the details of an offer. If you do invest, make sure that your decision is based on logical economic good sense for you and not on an empty promise.

Targeting the Financially Inexperienced
Treatment: Support Group Intervention

If you have relied on your spouse to make all the financial decisions or if you lack experience handling finances, money management can be difficult at first. Widows or widowers who have received windfall insurance payments following their spouses' deaths can often be targets for aggressive or unscrupulous salespeople. If you are financially inexperienced, seek the advice of a family member or a trusted professional such as an attorney or accountant before deciding what, if anything, to do with your savings or investments.

Stalling
Treatment: Turn Up the Heat

If you are relying on a regularly paid out return to supplement your income and your stockbroker or financial planner stalls when you want to recoup your profits, he or she may be trying to cover up a problem. Dishonest individuals sometimes stonewall their victims by telling them that their funds are not available while they then pocket the money themselves. Sometimes they pressure investors to "roll over" profits that don't exist into new and even more alluring investments to further delay the point at which a fraud will be uncovered. Unless your money is in an illiquid (not easily traded) investment, you should be able to receive your funds or profits within a reasonable period of time (usually within a week from sale).

Reluctance to Report

Treatment: Swallow Your Pride

If you feel you may have been the victim of an investment fraud, don't let your pride, embarrassment or a fear that some may think you incapable of managing your affairs prevent you from immediately reporting the problem to the Securities Division. Although you may not be able to recover all of your money, promptly notifying the Securities Division may help other investors avoid losing their life savings.

Chronic Victims

Treatment: Lay Low Until Danger of Subsequent Scams Has Passed

If you have been victimized by an investment scam, a dishonest salesperson may try to take a "second bite" by promising that you will recover your losses (and maybe even make gains) by investing in another venture. These "reloading" scams never work, and they can be especially damaging when you only have a limited amount of money to meet your future needs.

QUESTIONS?

Call the Connecticut Securities Division

1-800-831-7225

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www.investorprotection.org

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