

Protecting Your Nest Egg

Investigate before you invest

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Kansas State University
Agricultural Experiment
Station and Cooperative
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Target Audiences:

- Retirees
- Working Adults

Educational Goals

1. Discover how state securities regulators work to protect and inform investors.
2. Learn why you should verify the credentials of any financial professional with whom you are considering working with.
3. Recognize common tactics used to deceive and defraud investors.
4. Learn where and how to report problems or questions.



Suggested Introduction to Solicit Participants

There are more than 85 million investors in the United States. This figure represents about one-half of all households in America.

You are an investor if you participate in a retirement plan at work, own a certificate of deposit, bond or shares of a public company. Stocks, bonds and mutual funds are only a few types of investment securities. There are many others, some of which may surprise you!

Most investment opportunities are legitimate. Most financial professionals are honest and ethical. Some are not. There are people who do not obtain the proper licensing and registration. They do not comply with laws and regulations. They may just be out to defraud investors.

Investment fraud is a serious crime. People of all income levels, education levels and cultural backgrounds have suffered devastating losses at the hands of dishonest salespeople promising financial freedom.

During this lesson, you will learn what types of financial products are considered securities and how to investigate the legitimacy of these products and the people who sell them. You will learn how securities regulators like the Kansas Securities Commissioner work to protect investors from dishonest salespeople who conduct business unfairly and illegally. You will also learn what to do if you think you may be a victim of investment fraud.

Suggested Materials:

For a 30-minute lesson, obtain the following for each participant:

1. Copy of *Protecting Your Nest Egg*, MF-2654; and
2. Pencil and paper

The following materials may be used to extend the lesson if desired:

- Investor education packet from the Office of the Kansas Securities Commissioner.
- A collection of popular financial magazines and/or recent newspaper articles concerning investments—advertisements, advice and stories of fraud or financial misconduct.
- VHS video, “What Con Artists Don’t Want You To Know” (16 minutes), available from your area Extension office.

Suggested Program Presentation Guide

1. Review the *Leader's Guide* and *Fact Sheet*.
2. If you would like additional information, contact the Office of the Kansas Securities Commissioner at 1-800-232-9580 to obtain the investor education packets. The packets are free and will be mailed directly to you.
3. Begin the lesson with an icebreaker. Ask, "If you hear the word 'investing,' do you react with steadfast confidence, fear or queasiness due to the ups and downs of the financial markets?" What are participants' reactions?
4. Do you think of yourself as an investor? Why or why not? In 1-2 minutes, have participants share their reasons.
 - a. Explain that feelings about investing often depend on your knowledge of finances, your experience with making financial decisions and your willingness to take risks.
 - b. Most people don't have formal training in money management. We learn by doing. But, mistakes can be costly. Information is your best defense against fraud and abusive sales practices. As our society and economy changes, investor education is essential for people of all ages.
 - c. Retirees living on a fixed income must make careful decisions before moving money around into new investments in the hope of earning more. If you should lose your entire investment, how would that affect your ability to cover living expenses?
- d. Emphasize to younger members of the group that it is becoming necessary for people to assume greater responsibility for funding their own retirement rather than relying solely on Social Security and employer-sponsored retirement plans.
5. Present the information in the *Fact Sheet*. Use the following tips as a closing to the lesson:
 - Take an active role in decisions that affect your financial well-being. Identify your financial needs and set specific goals. Set limits on the risks you are willing to take. This will help you better communicate with a financial professional; if you choose to work with one.
 - Investigate before you invest. Pay attention to the red flags that may signal problems with an investment.
 - Watch out for **affinity fraud**. These scams exploit the trust and friendship that exists in groups of people who have something in common. Fraudulent salespersons "join" the group in order to promote an investment they claim is in the best interest of the group. When group members "invest," the money typically ends up in the fraudster's pocket. Cases of affinity fraud have been found in religious and ethnic groups, social clubs and professional organizations.
 - If you experience problems managing your investments—or suspect dishonest sales practices, fraud or theft—notify the Kansas Securities Commissioner as soon as possible. Time is critical in these cases. You should never feel embarrassed or afraid to get help.

Ideas for Community Service Activities

- Present this program to other established groups. If your employer offers information about planning for retirement, present this program as a “Lunch-and-Learn” lesson at work. Use your affinity with others to help spread the word about the importance of investor education and fraud awareness.
- Partner with local law enforcement to present this program. Include additional tips on how to recognize and report other consumer or financial crimes such as identity theft, etc.
- Help promote financial literacy for all ages. For more information about the basics of personal finance, or to start down the path of saving and investing for the future, consider joining the Kansas Saves program. Learn more about Kansas Saves from your county Extension agent or visit:
www.americasaves.org
Resources for teaching children to manage money are available from the Kansas Jump\$tart Coalition:
www.ksjumpstart.wichita.edu

References

North American Securities Administrators Association, Inc.:
www.nasaa.org

U.S. Securities and Exchange Commission:
www.sec.gov

National Association of Securities Dealers:
www.nasd.com

For additional programs on financial topics, consider the following sources:

Kansas Securities Commissioner
1-800-232-9580
www.securities.state.ks.us

Kansas Insurance Department
1-800-432-2484
www.ksinsurance.org

Kansas Bank Commissioner
(785) 296-2266
www.osbckansas.org

Kansas Attorney General
1-800-432-2310
www.ksag.org

Kansas State Treasurer
(785) 296-3171
www.kansasstatetreasurer.com

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Red-Flag Raisers

- Unsolicited offers from strangers
- High-pressure sales tactics, sob stories or threats
- Secret meetings or little identification
- Cash-only transactions
- Unsubstantiated claims or promises
- Inability to sell or control the investment
- Unwillingness to give you straight answers
- Asking for credit card, bank account or Social Security information by phone

Determine your investment goals and risk tolerance
Research the best way to attain those goals
Invest based on your goals and research
Verify your information with a trusted financial source
Evaluate your decisions at least annually

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