



# Help Your Employees Achieve Their Retirement Dream:

## Tips for Spotting Early Retirement Scams

Federal agencies offer retirement benefits to help their employees lay the groundwork for financial independence when they leave the workplace. As a Benefits Officer, there is one more thing you can do for your employees, especially those nearing retirement—help ensure they do not fall prey to early retirement scams that may wipe out years of savings and benefits.

You have partners to help you spot and fight these scams, including the Office of Personnel Management, the Securities and Exchange Commission and the Financial Industry Regulatory Authority (FINRA), the largest non-governmental securities regulator. Keeping federal employees safe from financial fraud is a team effort.

This Fact Sheet contains valuable information to help you spot early retirement fraud. It is best used in conjunction with a comprehensive fraud-fighting resource—the FINRA Investor Education Foundation's Outsmarting Investment Fraud Toolkit. The research-based Toolkit includes a fully-interactive Outsmarting Investment Fraud curriculum and a cinema-quality "Tricks of the Trade: Outsmarting Investment Fraud" DVD that walks you through the "psychology of a scam." Understanding how scammers think and act—and why investors fall for their tactics—is a valuable part fighting financial fraud. Additional online resources are available at [www.saveandinvest.org/55Plus](http://www.saveandinvest.org/55Plus).

### Be on the Lookout

Your agency may host financial education fairs, seminars or other meetings to educate your employees about retirement planning, or the agency may permit third party providers to conduct seminars for your employees. Most third-party provided retirement planning seminars offer valuable information that is free of sales pitches. But you will want to be on the lookout for inappropriate content, particularly information that promotes voluntary early retirement and contains investment strategies that include misleading assumptions about investment returns, suggest risky withdrawal strategies or lead to outright fraud. Such tactics can derail years of employee savings and sound retirement readiness efforts on the part of your agency.

Because not all early retirement seminars are in your employees' best interest, you can take these steps to help ensure your employees receive sound financial information in a seminar:

- ▶ **CHECK** that the person who wants to talk to your employees is properly qualified to talk about retirement issues.
- ▶ **CONFIRM** that the speaker has obtained all necessary approvals from his or her company to offer the retirement seminar and that seminar and other materials have been approved as required.
- ▶ **REVIEW** seminar materials such as handouts, slides and speaker's notes to identify red flags that suggest the content may be problematic.
- ▶ **REFER** seminar materials to FINRA if you are not comfortable with what you see.

## What to Expect from a Securities Firm that Approaches Your Agency

Any securities firm that communicates with investors, including federal employees, must follow rules that are designed to protect the public from scams, irresponsible promises of future investment returns and other improper communications. FINRA rules require that communications from securities firms and their personnel:

- ▶ Include no false, exaggerated, unwarranted or misleading statements or claims;
- ▶ Be fair and balanced and provide a sound basis to evaluate the facts regarding the product or service being offered;
- ▶ Not omit material facts that would cause the communication to mislead or contain legends or footnotes that would inhibit understanding of the communication;
- ▶ Make no predictions or projections of future performance, imply that past performance will recur, or make any exaggerated or unwarranted claim, opinion, or forecast about any investment; and
- ▶ Prominently disclose the name of the firm in the material.

FINRA reviews thousands of communications every year for compliance with the standards listed above. They tell the firm whether materials can be used as filed, need to be revised, or cannot be used.

## How You Can Protect Your Employees

You want your employees to make sound retirement decisions. Before you allow representatives of a firm to speak to your employees, you can ask a few questions and take some simple steps to determine whether the seminar complies with applicable requirements. Also review the Office of Personnel Management's **Guide to Financial Education Fairs** in BAL 06-107 at [www.opm.gov/benefits](http://www.opm.gov/benefits), which includes ground rules for speakers.

### Check

- ▶ **Broker Credentials:** Individuals associated with FINRA-registered firms that deal with the public generally must have the appropriate license for the products that they sell. Ask the person(s) who will conduct the seminar what FINRA licenses or registrations they hold.
- ▶ **Investment Adviser Registration:** People or firms that give investment advice must register with the SEC if they manage \$25 million or more in client assets or their state securities agency if they manage less than \$25 million.
- ▶ **Insurance Agent License:** All insurance agents must be properly registered with their state insurance commission. Insurance agents selling variable annuities or variable insurance policies must also be registered with FINRA.
- ▶ **Speaker's Background:** Confirm the information you receive by using **FINRA BrokerCheck** at [www.FINRA.org/brokercheck](http://www.FINRA.org/brokercheck) or checking with the SEC or appropriate state securities or insurance regulator. See below for links and other contact information.

### Confirm

- ▶ **Firm Approval Procedures:** FINRA-registered firms must approve the materials that will be used for a seminar. You can call the home or supervisory office of the firm to verify whether the materials were approved.
- ▶ **Regulatory Approvals:** Ask whether the materials were filed with FINRA. If so, consider requesting a copy of FINRA's review letter. The firm should be able to provide it to you. If some other regulator is involved, ask the speaker about that regulator's approval process. Consider calling the regulator to confirm what you are told.

### TIP:

If seminar material has been filed with FINRA, the firm or individual making the presentation should be able to tell you whether it was approved for use or not and show you FINRA's review letter if you request it. Of course, not all sales material must be filed with FINRA and even communications that are not filed with FINRA may comply with the rules.

## Review

- ▶ **Seminar Content:** Ask to see seminar materials in advance. Information, both in the main text and footnotes, should be clear and complete. Materials should provide a sound basis for evaluating the products or services offered.
- ▶ **Performance Projections:** Seminar materials should not project the performance of investments. They should not suggest that past performance is an indication of future performance. Explanations of mathematical principles such as compounding or how tax-deferral works are acceptable. Any examples should indicate that they are hypothetical and not indicative of any specific investment may perform.
- ▶ **Disclosure of Risks:** All investments carry some risk. Presentations of products or investment strategies should include a balanced discussion of benefits and risks. Be wary of statements suggesting that an investment or strategy will lead to stability, safety or peace of mind without explaining the risks. Without the downside, you do not have a balanced presentation.
- ▶ **Promissory Images:** Look for pictures or graphics that suggest investments will always be successful – dollar signs, money trees, cornucopias, pots of gold, bank vaults. FINRA rules prohibit this kind of imagery.
- ▶ **Firm Identification:** The firm sponsoring the seminar needs to identify itself clearly and prominently in the materials distributed to participants.

## Refer

**Protect Employees:** If you are not satisfied with the timeliness or detail of the answers to your questions or you are concerned about the content of the seminar materials, you can make a referral of the seminar materials to FINRA for review.

## How to Refer Seminar Materials to FINRA for Review

Please forward the seminar materials with the following information:

- ▶ Your agency name and address
- ▶ Contact person at your agency and telephone number
- ▶ Name of the firm(s) sponsoring the seminar
- ▶ Name of the individual(s) conducting the seminar
- ▶ Short description of your concerns

### Mail to:

FINRA Investor Education  
1735 K Street, NW  
Washington, DC 20006-1506

If you have questions, call us at (202) 728-6964.

### When FINRA gets your referral, we will:

- ▶ Acknowledge receipt of the materials;
- ▶ Review according to FINRA rules and procedures and, if our review uncovers a problem, take appropriate action, including contacting the firm and/or individuals as necessary; and
- ▶ Refer the matter to the appropriate regulator if FINRA has no jurisdiction.

Please understand that, as a regulator, FINRA typically does not confirm or deny publicly what regulatory action we are taking. That means that once you make a referral to FINRA you might not hear anything further from them. That said, you may contact FINRA at (202) 728-6964 to discuss any questions or additional concerns.

You should know that not all retirement seminar sponsors or the individuals conducting them are registered with FINRA. FINRA has jurisdiction over virtually all brokerage firms, their employees and associated persons. Registered Investment Advisers may be registered with the Securities and Exchange Commission or the state securities regulator where they conduct business. Insurance agents are licensed and regulated by state insurance commissions.

## About FINRA and the SEC

### FINRA, the Financial Industry Regulatory Authority

The largest non-governmental regulator for all securities firms doing business with the U.S. public. All told, FINRA oversees over 4,500 brokerage firms, about 163,000 branch offices and more than 630,000 registered securities representatives. Created in July 2007 through the consolidation of NASD and the member regulation, enforcement and arbitration functions of the New York Stock Exchange, FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. For Investor Alerts and other investor information, go to [www.finra.org](http://www.finra.org).

### Securities and Exchange Commission (SEC)

The SEC's Office of Investor Education and Advocacy [www.sec.gov/investor.shtml](http://www.sec.gov/investor.shtml) serves the tens of thousands of investors who contact the agency each year with investment-related complaints and questions. The Office's trained investor assistance specialists answer questions, analyze complaints, seek informal resolution of investors' problems and distribute helpful educational materials. The SEC has assembled a number of investment-related resources for senior investors.

#### Links:

For brokers, use **FINRA BrokerCheck** at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or call (800) 289-9999.

For registered investment advisers, use **SEC Investment Adviser Public Disclosure Database** at [www.sec.gov](http://www.sec.gov).

For an insurance agent, check with your state insurance regulator. Get contact information from the **National Association of Insurance Commissioners** at [www.naic.org](http://www.naic.org).

To find your state securities regulator, use the **North American Securities Administrators Association** at [www.nasaa.org](http://www.nasaa.org) or call (202) 737-0900.

#### Additional Resources:

**Fighting Fraud 101: Smart Tips for Older Investors** at [www.saveandinvest.org/55Plus/Fraud](http://www.saveandinvest.org/55Plus/Fraud).

FINRA Investor Education Foundation at [SaveAndInvest.org/55Plus](http://SaveAndInvest.org/55Plus).

Investor Alert, **Avoiding Investment Scams** at [www.finra.org/investors](http://www.finra.org/investors).

Securities and Exchange Commission at [www.investor.gov](http://www.investor.gov).