UW Retirement Association

MARCH 10, 2016

DFI
Smart Money for Seniors – Keeping the Golden Years in the Green
Today’s Topics

❖ The Role of DFI
❖ Understanding how scams work
❖ Examples of financial scams
❖ How to protect yourself
❖ Resources
  ❖ Agencies and organizations
  ❖ Investor education
Wisconsin Department of Financial Institutions

- **Division of Banking**
  - Registers, regulates, and examines...
  - State-chartered banking institutions
  - Charitable organizations
  - Professional Fundraisers
  - Mortgage and loan organizations
  - Administers the Wisconsin Consumer Act

- **Office of Credit Unions**
  - Issues charters
  - Examines state-chartered credit unions
What is the difference between a bank and a credit union?

- **Banks**
  - For profit institutions
  - Owned by shareholders
  - Pass on profits to their shareholders
  - Make loans to any qualified applicant
  - Federally insured by the Federal Deposit Insurance Corporation (FDIC)

- **Credit Unions**
  - Not-for-profit cooperatives
  - Owned by members
  - Return profits to members
  - Make loans only to members
  - Federally insured by the National Credit Union Association (NCUA)
Wisconsin Department of Financial Institutions

- Division of Corporate and Consumer Services
- Examines and files...
  - Business records
  - Uniform Commercial Code documents
  - Notary Public applications
  - Trademark registrations
Wisconsin Department of Financial Institutions

- Office of Financial Literacy
  - Office within the Division of Corporate and Consumer Services
  - Provides information to the public on personal finance
  - Focus on programs encouraging economic literacy in Wisconsin’s students and young adults
  - Money Smart Week – April 23 - 30, 2016
How the Division of Securities Protects Investors

- Registers investment firms and their salespeople
- Conducts examinations of investment firms
- Registers securities product offerings
- Investigates customer complaints
- Takes enforcement actions against securities law violations
- Provides investor education
Why the Elderly are Targeted

- Resources – lifetimes of savings
- Openness – willing to talk & share
- Trusting – less likely to verify
- Cognitive impairment – less likely to report fraud
Why Scams Work

- Establishing a connection
- Source credibility
- Playing on emotions
- Creating a sense of urgency
Case Example: Lonely Caregiver

- Victimized multiple times
- Receptive to cold calls
- Believed himself a savvy investor
- Lacking other social circles
Types of Investment Scams - Ponzi Scheme

- Investors offered sizeable returns on their money
- Early investors receive promised returns but are paid with funds from new investors
- Investments don’t exist
- Eventually run out of new investors so no money to pay investment “returns”

Charles Ponzi
Types of Investment Scams: Pyramid Scheme

- Exchange of money for enrolling others (active investors)
- No actual product or service is delivered
- **Non-sustainable scheme**
  - You have 6 initial recruits, and each needs to recruit 6 other people, who will each need to recruit 6 other people. Who will need to...well, you get the point
  - The population of the United States is exceeded at the 11th round of recruitment

[Diagram showing the growth of pyramid schemes](image)
Case Example: Profitable Sunrise

- Web based high yield interest program scheme
- Touted religious themes – quoted Scripture
- Originating out of the Czech Republic
- High daily rate of return
Case Example: Forex Fraud

- Senior introduced to scammer by son
- Complex investment
- Lack of due diligence
- Total family losses of $565,000
Types of Investment Scams: Pump and Dump

- Hype a stock to get investors and raise price
- Sell shares at a desired peak price
- Investors lose money when price drops
Types of Financial Scams: Advance Fees

- Foreign lotteries
- Foreign estates
- Moving money
- Advance fee loans
Types of Financial Scams: Imposters

- IRS audit claim by phone or email
- Jury duty failure to appear
- Fake debt collectors
- Bank/credit card emails to verify information
- Social security

"Man, I can't believe we didn't think of this before."
Identity Theft: What is Personal Information?

- Name
- Address
- Phone Number
- Email Address
- Date of Birth
- Social Security Number
- Mother’s Maiden Name
- Credit Card Number
- Bank Account Number
- ATM Pin Number

Any Other Identifier
Identity Theft: How to Protect Yourself

- Guard your personal information
- Protect your mail
- Review statements promptly
- Use a shredder
- Pay attention to internet security
- Do not use obvious passwords
- Check credit reports (www.annualcreditreport.com)
Identity Theft:
What to Do If It Happens to You...

- File a police report
- Contact your banks and credit card companies
- File a complaint with the Office of Privacy Protection
- Open new accounts
- Request a Fraud Alert
Red Flags of Financial Scams

- Low or no risk for high returns
- High pressure sales
- Lack of written information
- Unsolicited and/or not local
- Request for an upfront fee
- Sounds too good to be true
Protect Yourself from Financial Scams

- Ask questions
- Get it in writing
- Keep personal information private
- Don’t send money in advance
- Review account statements and credit reports
- Check out the salesperson
- Trust, but verify
Types of Investment Professionals

- Broker-Dealer Agents
- Investment Advisers
- Financial Planners
- Insurance Agents
Beware the Free Meal

- Unsolicited invitation
- Dinner/lunch “seminars”
- Expect solicitation
- Check out the seller
- Don’t feel obligated to buy anything or schedule a meeting with the promoter – you can dine and dash!
Investment Sales Practice Issues

- Unauthorized transactions
- Excessive transactions
- Unsuitable recommendations
Case Example: High-Yield CDs

- Claim to have a significantly higher yield rate
- The CD is actually bait
- High-pressured sales tactics
- Higher risk - not FDIC insured
- Less oversight – may not be subject to securities laws
Disputes with Financial Firms

- Speak with a supervisor (branch manager)
- Write to the firm
- Contact the Division of Securities
- Arbitration/mediation claims
Before You Invest: Check Out the Salesperson

- FINRA BrokerCheck
- Investment Adviser Public Disclosure
- Call the Division of Securities
- Contact the Office of the Commissioner of Insurance
- Trust, but verify
Check out your broker with BrokerCheck

FINRA oversees the people and firms that sell stocks, bonds, mutual funds and other securities. Simply type in your current or prospective broker's name to see employment history, certifications, and licenses—as well as regulatory actions, violations or complaints you might want to know about. You also can get information about your broker's firm. There's no reason not to check.

BrokerCheck can tell you...

...if a broker or brokerage firm is registered.
...what has been disclosed to regulators.
...about a broker's experience.
...about what a broker or brokerage firm is able to do.
Resources:
Wisconsin Agencies

- WI Dept. of Financial Institutions: [www.wdfi.org](http://www.wdfi.org)
  Examiner of the Day Hotline: 608-266-2139
  Facebook: [www.facebook.com/WIDFI](http://www.facebook.com/WIDFI)

- Office of the Commissioner of Insurance: [www.oci.wi.gov](http://www.oci.wi.gov)

- Dept. of Agriculture, Trade, Consumer Protection: [www.datcp.wi.gov](http://www.datcp.wi.gov)
  Office of Privacy Protection: [www.privacy.wi.gov](http://www.privacy.wi.gov)
  Office of Privacy Protection Phone: 608 224 5163
Resources: North American Securities Administrators Association (NASAA)

www.nasaa.org

www.serveourseniors.org
Resources:
The Securities and Exchange Commission (SEC)

- SEC Investor Education
  - http://www.investor.gov
Resources: Organizations and Non-Profits

- FINRA Investor Education: [www.saveandinvest.org](http://www.saveandinvest.org)
  FINRA Securities Helpline for Seniors: 844-57-HELPS or 844-574-3577
- Investor Protection Trust: [www.investorprotection.org](http://www.investorprotection.org)
- AARP: [www.aarp.org](http://www.aarp.org)
- Better Business Bureau: [www.bbb.org/wisconsin](http://www.bbb.org/wisconsin)
Questions?

THANK YOU FOR JOINING US THIS MORNING!

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