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Investment Pitches Prey On Elderly

Vulnerable Group Ensnared By Salesmen, Officials Say

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Less than a year before he died, Arthur Moyer converted his \$500,000 life savings into a complex investment he could not tap for a decade without incurring steep fees.

The 79-year-old former machinist from [Pennsylvania](#) poured his money into a deferred annuity at the urging of a salesman who presented himself as a retirement expert and collected a hefty commission, according to Moyer's son and a family adviser. They said Moyer, ailing and confined to a wheelchair, spent the final weeks of his life slumped with his head between his knees, fending off depression.

On the day Moyer was buried, a letter arrived, saying that the insurance company had agreed to the family's demands to unwind the deal and return his life savings. His son Craig slipped a copy of the letter into the front pocket of Arthur Moyer's dark gray funeral suit, "just so that he would know that it was taken care of, and that we got resolution on it," Craig recalled last week.

State and federal authorities say the Moyer case reflects the kind of misleading sales pitches directed at senior citizens, who control more than \$14 trillion in assets, according to [AARP's](#) Public Policy Institute. Government officials worry that unscrupulous financial advisers are preying on retirees by calling themselves senior experts, using fancy titles to lure the elderly to marketing seminars and then locking up their savings in investments that carry high commissions and withdrawal fees.

Federal regulators and authorities in seven states are set to release the results of an investigation of firms that run "free lunch" investment seminars, which draw large numbers of retirees. The results, said Securities and Exchange Commission Chairman [Christopher Cox](#), are "deeply disturbing" and have produced multiple law enforcement referrals.

"Every rock that we turned over seemed to have a bug or a worm crawling out underneath," Cox said in an interview. "In each of the sweeps we conducted, we found significant fraud."

SEC leaders and their state counterparts will host a day-long summit Monday to discuss a nationwide approach to combating bogus yet official-sounding titles that salesmen use to curry favor with older investors.

Meanwhile, the Senate Special Committee on Aging will hold a hearing today to spotlight the problem and call for reforms. "We've discovered that the training and education required for at least some of these titles is so flimsy that using them to advise seniors is misleading," said committee Chairman [Herb Kohl](#) (D-Wis.).

There are credible alternatives -- people with established credentials, such as certified financial planners. In a program operated by the Financial Planning Association, for instance, advisers undergo years of intense

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But entrepreneurs drawn by the rising number of older Americans and their retirement savings increasingly bill themselves as experts by using certifications that involve little training, regulators said. One staff member on the Senate panel on aging, who said he had no financial expertise, passed a battery of Internet exams with a 94 percent average on such topics as "advanced retirement planning" in a little more than four hours. He simply searched online for the answers to the open-book tests.

Another common way salesmen reach out to retirees is by sending them investment advice booklets that appear to have been written by the sales representatives, committee staff members said. In fact, some pamphlets are created by marketing companies, which sell them to financial advisers and affix the salesman's name and photograph to the cover.

Javelin Marketing, which has not been charged with any wrongdoing, is one of several businesses offering the booklets to salesmen prospecting for leads. Seniors "think that everything in writing is credible and true -- and that people who write must be experts," a Javelin Web site says.

Representatives of Javelin, which is based in [California](#), did not return calls for comment. Nor did the insurance salesman in Pennsylvania who directed Moyer to a long-term investment months before he died.

In the past few years, state authorities in [Massachusetts](#), [Minnesota](#) and elsewhere have filed lawsuits against sales representatives and numerous companies including [Allianz](#) Life Insurance Co. and Investors Capital Corp., alleging misleading marketing pitches or failure to stop deceptive sales tactics.

"Most of these scams are just a way to gain trust -- empty marketing devices," said Joseph Borg, the chief [Alabama](#) securities regulator, who also leads a national coalition sounding alarms over the problem.

Nearly half of the complaints state watchdogs receive are made by seniors who fear they have been the victims of fraud or misleading sales practices. The North American Securities Administrators Association is working to issue model rules that include making it a legal violation to use an "expert" designation to mislead investors, Borg said.

William F. Galvin, Massachusetts secretary of the commonwealth, prodded officials in his state this year to adopt a model code for advisers who want to hold themselves out as elder experts. He acted after being alerted to picnics and even a "senior prom" where older people are entertained and befriended, and later hit up for money.

"They have no interest in providing independent advice to older investors," Galvin said in an interview. "They're preying on older peoples' isolation to some extent."

Leo Stulen, 79, a retired salesman and school bus driver in Minnesota, invested his nest egg in a deferred annuity with Allianz, shifting more than \$40,000 out of mutual fund accounts after welcoming a salesman into his home.

Stulen, who works part time as a bank courier, said in a telephone interview that he was not told that his money would be locked up for 15 years. Shortly after Stulen made the investment, his wife broke her hip, and the couple began to have trouble meeting mortgage payments and mounting health-care bills. He took early withdrawal of his money, incurring a \$6,000 "surrender" penalty.

"They sold a guy who had one foot in the grave and another on a banana peel an investment" that was locked up for 15 years, said Stulen, who has had several heart attacks.



The chief executive of Allianz's life insurance unit defended his company's practices and said less than one-

half of 1 percent of investments lead to a complaint. In an interview yesterday, the executive, Gary Bhojwani, said that Allianz had imposed extra layers of oversight, including writing forms free of financial jargon, to ensure that salesmen are directing the elderly to suitable investments.

"To me, the real crux of the issue is: Insurance companies and agents are putting their own profit motives ahead of the needs of our senior citizens," said Lori Swanson, the Minnesota attorney general, who sued over the issue.

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