

ALABAMA SECURITIES COMMISSION
770 WASHINGTON AVE, SUITE 570
MONTGOMERY, ALABAMA 36130-4700
Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240
Email: asc@asc.alabama.gov Website: www.asc.state.al.us

FROM: Joseph P. Borg, Director, Alabama Securities Commission

7/25/2006

RE: Alabama Top Securities Regulator - Letter of Concern

Dear News Media Professionals:

The current landscape facing Senior investors is littered with slick schemes and broken dreams.

From the "Greatest Generation" to the "Baby Boomers," Seniors have worked hard to build both our nation's economic prosperity and lifetime's worth of savings. Unfortunately, individuals age 60 and older – who make up 15 percent of the nation's population – account for 30 percent of fraud victims.

With "Baby Boomers" turning 60 this year, securities regulators are deeply concerned that investment fraud among Seniors could grow significantly in coming years.

As the state's top securities regulator, I have prepared a 525-word opinion article for your consideration. The article outlines the steps that state securities regulators nationwide are taking to ensure that Seniors' golden years are not tarnished by investment fraud.

I look forward to hearing from you.

Sincerely,

Joseph P. Borg
Director

Protecting Seniors from Investment Fraud

From the "Greatest Generation" to the "Baby Boomers," Seniors have worked hard to build both our nation's economic prosperity and a lifetime's worth of savings. As the State of Alabama's top securities regulator, I am committed to using every resource available to ensure that the golden years of Alabama's Seniors are not tarnished by investment fraud.

With the first 'Baby Boomers' turning 60 this year, my fellow state securities regulators and I share a deep concern that investment fraud among Seniors could grow significantly. That's why we are pleased that federal regulators and others have joined us in our ongoing efforts to fight Senior investment fraud through targeted, aggressive enforcement combined with financial education to protect investors from unscrupulous individuals.

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Con artists have emerged from the side streets and back alleys to Main Street where older investors live. They know that retirees are living longer and are facing greater responsibility for their financial security. As a result, Seniors are being flooded with pitches for investment seminars; many of them promising a free meal along with "little or no risk and higher returns." Unfortunately, in many of the cases that we see, it's just the opposite: high risk and no returns, just disastrous losses.

The current landscape facing Senior investors is littered with slick schemes and broken dreams. A survey by the North American Securities Administrators Association (NASAA) shows that nearly half of all investor complaints received by state securities regulators come from Seniors and one-third of enforcement actions taken by state securities regulators involves Senior investment fraud.

The NASAA survey also found that unregistered securities, variable annuities and equity-indexed annuities are the most pervasive financial product involved in Senior investment fraud.

While my colleagues and I see a proliferation of troubling schemes involving unlicensed individuals promoting and selling unregistered securities to Seniors, we continue to be concerned about the way in which variable and equity-indexed annuities are marketed and sold to Seniors.

Let me be clear. My concerns with variable and equity index annuities are not about the products. These are legitimate and suitable investments for some, but they are unsuitable for many retirees. And yet they are being pitched aggressively to Seniors through investment seminars, where participants aren't always told about high surrender charges for early withdrawals, the potential of exposure to market risk, and the steep sales commissions agents often earn when they move investors into these products.

To learn more about how you can protect yourself or a loved one from Senior investment fraud, please contact my office or visit the online Senior Investor Resource Center at [http://www.nasaa.org/Investor Education/Senior Investor Resource Center](http://www.nasaa.org/Investor_Education/Senior_Investor_Resource_Center). I also urge Seniors throughout Alabama to make sure they do business only with individuals licensed by my office. We license brokers and investment advisers after they pass rigorous competency examinations.

Today's Senior investors are our parents, our teachers, and our coaches - the same people we looked up to in our childhoods. They deserve the same respect today. I will not tolerate their victimization by those who would profit from their lifetime's savings. ###

Please contact Dan Lord, Education and Public Affairs Manager, if you would like more information or an interview.

Call: 1-800-222-1253 or (334) 353-4858

Email: Dan.Lord@asc.alabama.gov

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