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INVESTOR ALERT

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IDAHO SENIORS SHOULD STEER CLEAR OF FIVE PITFALLS IN "LEGITIMATE" INVESTMENTS

Idaho Department of Finance Releases "Bulletin" OutliningDangers to Elderly, Steps to Avoid Problems.

BOISE, IDAHO, MARCH 14, 1995 -- Gavin Gee, Acting Director of the Idaho Department of Finance, warns that the estimated 97,000 senior citizens in Idaho who rely on investments for 25 percent or more of their income should be on their guard against the five most common pitfalls in "legitimate" investing that pose particular problems for older individuals. He is issuing an "Investor's Bulletin for Seniors" which identifies potential pitfalls and instructs seniors how to be informed investors.

Gee said: "More and more older investors in Idaho are turning to uninsured investments in order to maintain their standard of living. The Department of Finance wants to make sure that these investors, many of whom have little or no investment expertise, are fully aware of the problems that can crop up for them. From what our agency sees, far too many older residents in Idaho learn too late that investing in an uninsured product means that they can lose their money. Our purpose today is not to alarm, but to educate.

THE NEW CONCERN ABOUT SENIORS AND INVESTING

Today, more than 28 million Americans over the age of 65 rely to some extent on investment income to meet their expenses. Three-quarters of all seniors--including an estimated 97,000 in Idaho -- derive 25 percent of their income from investments. Though older Americans once relied almost exclusively on federally insured products (e.g., bank savings accounts and certificates of deposit), a number of factors, including a slump in interest rates, have fueled the movement of older America into riskier investments.

Gee said: "The graying of the U.S. population and the movement away from traditional employer-paid pensions means that the problems seniors are experiencing today is only the beginning of something that soon will get much bigger. Today's baby boomers are going to be tomorrow's older investors looking at even riskier investments. It is vitally important that we start educating older investors in Idaho now about how the markets really work."

FIVE BIGGEST PROBLEMS FOR SENIORS

The "Investor's Bulletin For Seniors" issued today by the Idaho Department of Finance, AARP and the Consumer Federation of America is accompanied by a "NASAA/AARP/CFA Background Report," which focuses on the following areas of concern:

1. Commissioned salespeople posing as impartial advisers. Research shows that elderly consumers tend to be more trusting, which is why confusion can result from the increasingly common use of titles such as "investment consultant" and "financial adviser" by commissioned investment salespeople.
2. Uninsured securities products sold by financial institutions. Investors in Idaho are the people who are most likely to place particular trust in their financial institution as a seller of mutual funds. It is vitally important for seniors to remember that financial institution-sold mutual funds or other securities are not insured and can result in loss of principal.
3. Poor quality of oral and printed disclosure about investment products. Senior investors in Idaho need to be on their guard about unwarranted claims that some financial professionals may make in their sales pitches. This "bad information" problem is compounded by prospectuses (and other investment disclosure documents) that may be difficult for typical seniors to understand. The Department of Finance actively supports various efforts to crack down on abusive sales practices and to simplify prospectuses.
4. Hidden derivatives in funds touted as "safe." Some of the uninsured investment products that are most likely to be sold to senior investors are also more and more likely to feature risky and volatile investments in derivatives. In some cases, the use of derivatives is obscured through legalese, industry jargon and other barriers to clear disclosure. While some mutual funds make legitimate use of derivatives investments for hedging purposes, the use of these risky investments by funds for speculation is not always made clear.
5. Account statements that do not clearly indicate performance, feesand commissions. Most brokerage and mutual fund account statements reveal very little about performance and ongoing burden of fees and commissions. The "Background Report" spells out in detail what it is that senior investors should ask their financial professional to compute in the event their broker fails to do so.

"Our warning today is not meant to unduly alarm senior Idaho residents about investing," Gee said. "In fact, the overwhelming majority of brokers and brokerage firms in Idaho are reputable. However, wealth is not a renewable resource for the elderly. They do not have the luxury of time to make up for investments that go sour due to no fault of their own. It is for this reason that we are making a special effort to ensure that Idaho seniors know what they are getting into in uninsured investments."

ADVICE FOR SENIOR INVESTORS

The "Investor's Bulletin for Seniors" provided by the Idaho Department of Finance features the following advice for senior investors in Idaho:

1. Define your financial objectives. The first step to wise investing is to make sure that you understand your current financial condition and goals for the future. This will dictate

how you invest. Most senior investors will be interested in investments that generate income and preserve capital. This means that volatile, high-risk investments are likely to be inappropriate.

2. Check out your financial professional. The first step in dealing with your investment professional is to check him or her out with the Idaho Department of Finance. You can reach us by dialing 208/334-3684 (7:30 a.m. - 5:00 p.m.) Our office maintains records on all of the stockbrokers and brokerage firms licensed to do business in Idaho. You should avoid doing business with financial professionals who have a track record of state, federal, and self-regulatory disciplinary actions, negative arbitration decisions, and civil litigation judgments.
3. Recognize that securities such as mutual funds sold at financial institutions are not federally insured. More and more financial institutions are selling mutual funds. Senior investors who have used a financial institution for many years may find themselves approached to put certificate of deposit funds into financial institution-offered mutual funds. However, it is important to recognize that mutual funds sold at financial institutions are not covered by the Federal Deposit Insurance Corporation (FDIC). Make certain that you can handle the greater risk that comes with an uninsured mutual fund.
4. Understand your investment before you invest. Never assume that your investment is federally insured, low risk, or guaranteed to deliver a certain return. Always check out the investment by getting and reading the prospectus (or similar offering document) before investing. If you feel unprepared to understand the prospectus, insist that your financial professional explain the highlights of it. (See the full text of the "Bulletin," for a list of questions senior investors should ask about mutual funds.)
5. Make sure that you understand how your financial professional is going to make money off of your money. Always remember that most financial professionals are actually salespeople who rely on commissions for their income. Even if your investment professional refers to himself or herself as an "investment consultant" or "financial adviser," you should consider any potential conflicts of interest when receiving their advice. Never confuse investment salesmanship with objective financial advice. Before you invest in a product, make sure that you understand how much of a commission your broker will earn and how much you will pay in fees ... both now and later. Ask if your broker will receive extra commission income or other incentives (e.g., a prize or trip) by selling you a particular investment, such as an in-house mutual fund.
6. Monitor your account statements closely. Your account statement should reflect only the pattern of investing that you have authorized. If you note a discrepancy, raise the problem immediately with your broker and, if necessary, the branch manager who oversees the broker. Look to your monthly account statement for information on how your investments have performed and their cost to you in terms of fees and commissions. If your account statement does not clearly indicate this information, contact your financial professional and ask him or her to calculate these figures for you.

FOR A FREE COPY OF THE BULLETIN OR MORE INFORMATION, CONTACT:THE IDAHO DEPARTMENT OF FINANCE P.O. Box 83720 Boise, ID 83720-0031 208/332-8000

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