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PROTECTING SAVINGS

In a time of rising house prices, gas prices and cost of living, earners find they need to ask for more pay, couples find that often both have to have earnings even when the children are young and young adults can barely get into the housing market at all.

For the retired and nearly retired, facing the escalating costs with limited savings creates a scary scenario. Will they outlive their money? Will they be able to afford to eat? How will they provide for their own declining health?

The public tends to focus on its most active members and has always turned media attention to the young and vibrant. A neglect of issues about the elderly is sadly common.

Yet the repercussions of problems for the elderly cross the generations. If the elderly cannot pay their own bills, they may need financial help from their adult children. If they cannot afford health care, they may need the time and care only their adult children can give. And if no one can help them, the public purse is likely to be called on, at huge cost to all taxpayers.

Seniors of today come from generations that were fiercely independent, wise with money and who planned for the future. My dad rode the rails during the Depression, saved up to eat out at a restaurant for 25 cents, slept on park benches in Vancouver till he found a job selling Fuller brushes door to door. He became a successful self-employed businessman but never forgot what it was like to be poor. And he socked away money to avoid poverty. He was not unlike the thousands of his friends. They were not irresponsible and they saved.

Yet their savings are being eroded, and intentionally by some who are not far removed from con artists. Though not much can be done about the cost of living per se, when someone is trying to steal the savings of seniors, to make a profit off them even though it puts them into poverty, that is cause for legal and moral concern.

That is in fact what is happening

And only a few activists are noticing it and raising alarms. I applaud those groups.

The excuses for ripping off seniors are many. Caveat emptor, buyer beware is a common one. It is assumed that 'making a buck' is a noble goal for any investment advisor and chief among his goals is making money for himself. In a capitalist society the customer is supposed to be aware that is everyone's agenda. You fool me once, shame on me.

Reading the fine print, being aware of commissions and administrative costs, is an obligation of the buyer. And though seniors often come from a generation that trusted people on a handshake, the need to now 'read the fine print' is an excuse offered by the

investment adviser. He says simply that the senior should have understood, is old enough to know, is an adult.

My mother had some issues with forgetfulness in her 80s and someone convinced her to buy a cell phone. She never used it. She never even understood how and usually she misplaced it for days. . But the vendor felt comfortable billing her month after month though it was clear she was not using it. Though we tried to get the contract made void we were told there was a huge penalty and she basically had to stay in the program, paying, for three years. Why? They just excused themselves saying she was an adult so they had assumed she understood.

Some seniors need protection from their declining memory but that is not the only issue. Many wise and competent seniors are just not being told what is happening with their investments. They would like to know. When told clearly they would understand. But they are not being told. That is a legal issue.

The problem is one affecting both genders, and often women in particular. Though they were often home for many years taking care of children and even in their senior years are far from 'retired' since they now take care of the spouse in his declining health, they were never recognized for their contribution to the economy and even as seniors, have only small pensions. Though the women's movement has tried to address the unfairness of this by proposing pensions for homemaking and significant spousal deductions, governments have not listened. To be a homemaker still is to be penalized all your life in the pocketbook. Many women, unrecognized for their own work, were forced to be dependent on the earnings and pension of the spouse. This forced dependency and being valued based on someone else's work, was somewhat humiliating and demeaning but it was a practical reality that the two did share income and standard of living. Recent permission to have taxation based on splitting and sharing of pensions is at last a recognition of this inter-dependency among seniors.

And yet, because women tend to outlive men, and because they have historically had less training in banking and investments, we have a perfect storm when the spouse dies. The couple may indeed have squirreled away savings enough to support both of them for a time and then the survivor of them for the rest of the time, but if the last one standing is a woman, often the investment community has been rather swift to take advantage.

Senior women have been not only uncomfortable handling investments and lacking self-confidence, but they also come from an era where they looked to someone else to do that role for them. They were socialized for that person to usually be male, and to trust that person who reassured them simply 'I'll take care of that for you'

Nowadays we may think of such reaction to investment planners as naïve and gullible but if we examine our own personalities, we all have areas where we do not claim expertise and admit it. The one who does not cook well lets the one who loves cooking do most of the cooking. The one who likes carpentry and house remodeling can do that while the one who likes gardening can do that. In most households there is a lovely balancing of

interests and skills that no government can dictate but that couples fine tune comfortably. Henry Ford said that each person should do what that person is good at, and it is a principle of households.

It is also a principle of community. In small scale communities the baker was the expert at baking, the shoemaker at making and repairing shoes, even the ferrier at putting horseshoes on horses. Society recognizes expertise and trusts it.

We still do that. We trust our doctors' judgment and we trust the pilot flying our plane. We are able to appear an hour later in another city rested and relaxed because we trusted someone else to get us there. Trust is not a bad thing.

But seniors who trust their bankers and investment planners, as experts, have often had a very rude awakening.

And a few activists are raising concerns with government that standards for these investment advisors must be raised, ethics must be set out and laws must be in place so that trust is justified and seniors and other investors do not fall victim to horrendously being duped.

The Small Investors Protection Association was established in 1998 as a group of seniors who had either personally had such negative experiences and losses of life savings or knew others who had. They wanted to make sure such atrocities did not continue.

The Common Front For Retirement Security has networked with activists from 20 seniors' groups. . They are looking out for that precious money that is all we have. They 'stand on guard' for the rest of us.

And the issue does not just touch women and men in their senior years. Many young adults are being approached by banks to invest early and save. Particularly when they have babies they are pressured to purchase mutual funds for children's education. When the investment community helps clients many benefit but when it dupes clients, the repercussions fall across the generations.

SIPA has made submissions on several occasions to government. In delivered in Feb 2004 a report to the Minister of Finance and 25 influential business leaders. It recommended in 2004 a national investor protection agency be set up. It has made submissions to the Senate and to government committees on securities and finance, banking, trade and commerce. It is in there slugging for the ordinary person whose life savings are at risk.

Stan Buell, P. Eng, as president of the group admitted in a 2005 submission to the Finance department that not only is it devastating financially for people to lose life savings but with is often followed by a shock, humiliation and 'post traumatic stress' at the betrayal of trust. He notes that for seniors the financial loss is life-altering. It has led some to suicide.

RCMP Commissioner Zaccardelli at an SRO conference in 2004 said “Trust is the bedrock of a civilized society’ and for many seniors, the loss of the money is only half the problem. They thought they could trust the friendly, hand-shaking advisor who claimed to be an expert, like family.

Years ago a lawyer tried to diminish the seriousness of charges against one investment advisor who had bilked clients out of money, saying that after all ‘it’s not like it’s incest or anything’. But in fact, a betrayal by someone you thought was like family, is not that far from incest. It is a violation of a basic tenet of human relationships and a betrayal of the vulnerable. Seniors are not vulnerable because they are stupid. They are vulnerable because they tend to trust.

financial advisors claim to be experts. Many are now saying that the industry they operate has knowledge and should sense an obligation to share it, to inform the public fully. And yet the industry tends to protect itself, to hide behind its own maze of bureaucracy to intentionally make it hard for the client to find out or understand.

Recently rules were changed about how a person could even complain. There used to be a six year limitation period within which a person, once they realized there was a problem, could officially take civil action. That time limit has just been reduced to two years. Buell says this will ‘negatively impact aggrieved investors’ and has urged the Senate committee to not reduce the time frame. Finding out where and to complain and going through the paper work alone often takes over two years.

Though many officials claim to be knowledgeable about the securities and investment industry, and are in some cases funded by government to oversee it, nearly no one is actually doing anything to protect the small investor according to small investor activists. Ombudsmen, mutual fund directors, even security commissions are not providing adequate legislation to protect seniors.

There are many games being played and some to be addressed include:

1. when a GIC is promised to give guaranteed return on principal of 8%, this turns out to sometime be not a return but a distribution and after a certain time period, even that return level is cut. Sometimes GIC investments lose 30% of their value within 10 years.
2. Some investments are not protected for the public, but exceptions are made but for the wealthy investor only. The small investor is less protected.
3. High industry fees are rarely published. One pension expert has estimated that Canadian investors are losing over \$20 billion per year in mutual funds just to pay the administrative fees. Currently \$451.6 billion has been entrusted by Canadians to the mutual fund industry. Investors were charged over \$10 billion in fees in 2002 alone.
4. lack of effective regulation of the industry by itself

5. policies to not completely let the investor know status of his or her investment
 - IPSOS Reid found that 41% of investors in mutual funds do not even know what type of mutual funds they own.
 - leverage disclosure documents are sometimes not even provided to clients when they open an account
 - marketing materials were often outdated
 - web site information has been incorrect, outdated or incomplete

6. being given misleading statements about the status of investments
 - some companies do not provide adequate evidence a client authorized some trades.
 - some trades are not done in a timely manner
 - there is often no evidence of a review of trades for suitability to a client
 - performance tallies sometimes gave data from a different fund or period
 - claims regarding future value of an investment were often exaggerated and claims of 'superior performance' could not be substantiated

7. having some investments considered not investments but 'consumer products' make it so that mutual funds are viewed by regulators as in some ways outside their domain

8. ability of an investor to seek financial redress is slow, complex and costly. Breaches of Mutual Fund Dealers Association rules are not uncommon but follow-ups are slow. In 2004 an online review found 44 breaches of MFDA rules.
 - there is within the industry a lack of efficient logging of complaints

9. mismanagement of funds
 - commingling of client cash with the agent's own property
 - some ads for investment are misleading
 - there has been misappropriation of client funds
 - there is sometimes excessive trade in a client's account where each trade generated commission to the agent

There are not many out there trying to protect the life savings of the nation's seniors and of the hard-working current earners who believe the dream that they can earn money if they invest. I am very proud of those standing up for the ordinary person.

And we need such protectors. We need legislation.

There is a move to seek legislation for such protection, , a central registry of industry participants. a central database of complaints, independent investigations, compulsory restitution in cases of proved wrongdoing, whistleblower legislation to protect informants, and compulsory simple language issuing of a prospectus to investors before investing. Those who seek to protect the small investor also want to have financial advisors keep and annually update a form for every client to keep track of what is

happened and to make the advisors' recommendations actionable if they prove contrary to the interest of the client. There is also a proposal for an investor protection fund for when an investment company goes bankrupt.

Seniors amaze me. Our society is very demeaning to the retired as if they are just tired, and as if being out of paid labor their minds also departed.

I am so proud of seniors who rage against that image, who take time and use their skills to advocate for their fellows and who try to make a better Canada for all of us.

I think they are saints. I read a headline in a newspaper the other day about how in the paid workworld the elderly should not be discounted because with patience they could be retrained and 'you can teach an old dog new tricks'

I was appalled at the attitude. It was old dogs who set up some of the best social policies in this country. Old dogs who gave us pensions and unemployment insurance and family allowance. Old dogs who fought the war for us those many years ago and now, even today, old dogs who still are in there trying to give us fair investor protection so we all can have happier more secure lives.

And I am just happy to think that the number of seniors is increasing. Grey power. Watch out.

Beverley Smith