

THE PERFECT MARK

JULY 2005

The *Wall Street Journal* reported that the brokerage division at Citizens Financial Group agreed to pay a \$3 million fine to Massachusetts securities regulators to settle allegations that the company engaged in “*unethical and dishonest conduct*” in its sales of variable annuities to elderly customers on Cape Cod. We feel that “*unethical and dishonest*” is understated by a factor of ten. Susanna Schrobsdorff in her expose [The Final Indignity](#) in *Newsweek* reported that as many as 5 million elderly people are victims of financial exploitation every year. Take that mind-boggling number, couple it with the volume of baby boomers heading for retirement, then affix the fact that rip-offs and scams becoming more mainstream and clever, what we have is recipe for disaster.

“There is going to be a criminal explosion in the next ten years in this demographic,” states Paul Greenwood, a deputy district attorney in San Diego. With all due respect to D.A. Greenwood, the “*explosion*” is here.

A variable annuity is a tax-deferred investment vehicle with an insurance contract stapled to it. Variable annuities are inappropriate investments for the elderly 99% of the time. These contracts carry very high fees, the tax benefits are realized over decades, and customers pay high surrender fees for taking money out early. The commissions brokers receive are as high as 15% in many cases, which is one of the reasons why they have become so popular on Wall Street over the past five years. They are pitched to unsuspecting investors as a super-safe way to invest when they are nothing more than a leech on investor’s finances.

The scam perpetrated by Citizens Bank was as dubious as they come. Tellers at the bank earned compensation on a point system by referring depositors, particularly senior citizens who had maturing certificates of deposit, to their shark stockbrokers. For many senior citizens their weekly trip to the bank is a social event; they build up trust in certain tellers who can take advantage of them, as in this case. Let’s also not forget the blood-sucking brokers working in the corner office looking to score another fat payday. One of the brokers at the South Yarmouth branch office had more than half of his variable annuity sales directed at senior citizens. Disgusting is one word that comes to mind.

We are trying are best to help individuals out who have bought ill-advised variable annuities. We have had some surprising good-luck recently with getting investors out penalty-free. There was a recent settlement that we broke on the radio show that is currently being hushed up by all the usual media outlets which could help us in our battle against improperly sold variable annuities. In a recent settlement, Bank of America agreed to offer refunds to clients 78 and older who purchased variable annuities in 2003 or 2004. This information will help us in going to bat for victims.

Ready to be nauseated...

Bank of America was forced to settle because they sold variable annuities to people with Alzheimer’s disease and others who were unable to understand the investment risks. In both settlements nobody lost their jobs, no individual was even fined. (Personally I would have probably gone medieval on them.) This is what you deal with as investors. The mess after the fact is what we deal with. Wall Street knows that elderly victims often die or lose the ability testify before a case goes to trial, **a perfect mark.**

The FBI stated in the *Newsweek* article: ***“The opportunities for fraud are so much more than 20 years ago. Now criminals can get you in so many ways. It’s not like the old days when they used to go by with their wagons of snake oil. Now they can find you through the mail or through their phone databases or through the Internet. Fraudulent telemarketers may spend months cultivating their victims with daily phone calls. Some even send birthday cards. So when the betrayal comes it’s all the more wrenching. Many elderly victims become extremely depressed. It destroys them emotionally as well as financially. Some want to commit suicide. It is such an insidious evil to drain them in their last years. I call it the final indignity.”***

If you or family member feels that you have been victimized, please do not hesitate to contact us as soon as possible at (800) 447-0579 or email me at chris@minvest.com.