U.S. Securities and Exchange Commission

A Guide for Older Investors

PREPARED BY THE **OFFICE OF INVESTOR EDUCATION AND ADVOCACY**

A Guide for **Older** Investors

Never stop learning, especially when it comes to protecting your hard-earned money. While we cannot tell you what investments to make or provide legal advice, we've identified steps you can consider taking to help protect your assets now and as you age.

1. Learn Investing Basics
2. Monitor Your Accounts
3. Consider Adding a Trusted Contact
4. Understand Fees
5. Research Investments
6. Research Professionals
7. Review Your Progress
8. Plan for Illness or Diminished Capacity
9. Tapping Your Nest Egg
10. Learn to Spot Fraud

1 LEARN INVESTING BASICS

If you are new to investing – or just want a refresher – here are some basics.

- Your financial situation, goals, and investment choices are all personal and may be very different from those of your friends and family. You can invest your money in different types of assets and investments, including real estate, securities, and cash. Many people invest some of their money in securities. Securities include stocks, bonds, mutual funds, exchange-traded funds (ETFs), some annuity products, and other types of investment products.
- Over the long term, investing in securities may help you build more wealth than keeping cash in a bank account. But investing in securities has risks. Securities are not guaranteed investments, and you can lose some or all of your money.
- You can try to lower the risk of losing your money by spreading it among different investments that have different risk and return characteristics. This practice is called diversification. An important concept related to diversification is asset allocation, which is how you divide your money among the different investments that you have.
- When making investing decisions, consider how much risk you are willing to take. Typically the potential for profit (or higher return) comes with a greater chance of losing money (or risk). The longer you have to invest, the more risk you can generally afford to take because your investments have more time to recover from market dips. For example, if you need your money soon, you may want to consider an investment that has less risk. The less risky investment may make you

less money in the long run, but there may be less of a chance that you will lose money in the short run – so that your money will be there when you need it.

- As your financial circumstances change or the securities markets go up and down, you might want to readjust how you allocate your money among your different investments. This is called rebalancing.
- Some types of investment products are designed to help automate these decisions. For example, some mutual funds and ETFs may help with diversification because they allow you to own indirectly a diverse set of assets. For example, some mutual funds may own shares of all the companies in a popular stock index. Other mutual funds may own securities with different risk characteristics. Target date funds, which are sometimes called lifecycle funds, may automatically rebalance their mix of investments to less risky investments as you age. Regardless of what an investment is designed to do, it is still important to make sure a specific investment works for your financial situation and goals, matches your risk tolerance, and fits with your other investments.
- Learn more at Investor.gov/InvestingBasics.

2 MONITOR YOUR ACCOUNTS

Don't rely on an investment professional who says "leave everything to me."

- Review your account statements regularly. Look at each account statement and compare it to previous statements.
- Talk with your investment professional about your account statement and ask any questions you have.
- Check the information in your account statement. This could include:
  - » Your name and address,
  - » Your investment professional's name,
  - » Your investments and their performance since the last statement,
  - » Any investment objectives,
  - » Any money coming into or out of your account (including all transactions and fees), and
  - » Your overall investment diversification.
- What are you looking for?
  - » Any fraud or activity that you didn't authorize.
  - » How your investments are doing – are you on track to have enough money to make it through retirement?
  - » Whether you need to rebalance your investments because of market movements or because you are getting closer to retirement.

- » Whether you should consider selling any investments for year-end tax purposes.
- » What fees you are paying.

- If you create an online account for your investments, take control of your privacy and security settings. Use a strong password and consider activating two-step/multifactor verification.
- Learn more at Investor.gov/Accounts.

3 TRUSTED CONTACT

Consider adding a trusted contact person to your brokerage account.

- A trusted contact is a person your brokerage firm will contact if your broker believes your account may be exposed to possible financial exploitation or fraud.
- Your broker will also contact your trusted contact person to confirm your contact information if they can't reach you; if they suspect you are sick or suffering from diminished capacity; and to confirm the identity of any legal guardian, executor, trustee or holder of a power of attorney on your account.
- ***Naming someone as a trusted contact person does not give that person any authority to act on your behalf, execute transactions, or engage in activity in your account.***
- Learn more at Investor.gov/TrustedContact.

UNDERSTAND FEES 4

Even small fees can have a major impact on your investment portfolio over time.

- Ask about the fees you pay. You may pay fees for owning an investment, buying or selling an investment, and for any advice or help regarding investments an investment professional provides you.
- Did you know?
    - » If you don't pay fees directly or see them paid out of your account, you are probably paying fees indirectly.
    - » You may pay ongoing fees – such as annual, maintenance, or service fees – as well as transaction fees – such as a commission when you buy a stock or a front-end load fee when you buy a mutual fund.
    - » Sometimes you may be paying ongoing fees both for an investment product and for the investment professional who sold you that product.
- It is important to understand:
    - » All of the fees you will pay and how you will pay them.
    - » How your investment professional gets paid for their services.
    - » How these fees impact your investment now and over time.
- Learn more at Investor.gov/Fees.

5 RESEARCH INVESTMENTS

Always research an investment before making a decision. Take time to ask questions and check out the answers.

- Make sure you get the disclosure documents for the investment and read them. Many types of securities and investment products have a prospectus and/or shareholder reports, along with other disclosures, to help explain the investment. Find the most recent documents online on a fund's or your investment professional's website. Or go to the U.S. Securities and Exchange Commission's (SEC's) EDGAR database, which is available at SEC.gov.
- Ask questions if you don't understand the investment or how it will fit with your financial situation, goals, and other investments. Learn about the investment's risks, and how it fits with your time horizon. Ask your investment professional questions about why this investment is good for you. Do not invest in anything that you do not understand.
- Be sure to understand how and when you can withdraw your money from an investment product. Once you purchase shares of some funds or some annuities, you may have restrictions on when you can get your money back or you may have to pay a surrender fee if you want your money early.
- Keep in mind that the latest trendy investment may not be the right investment opportunity for you.
- Learn more at Investor.gov/ResearchingInvestments.

RESEARCH INVESTMENT PROFESSIONALS 6

Do a background check on your investment professional and firm to learn important information about them.

- There are many types of financial professionals. The SEC regulates two of them: investment advisers and broker-dealers. Advisers and brokers differ in the types of services they provide and how you pay for them. Some investment professionals are registered as both. The decision of which investment professional and what kind of account is right for you is a personal choice.
- You can research advisers and brokers for free at Investor.gov. Using Investor.gov's "Check Out Your Investment Professional" tool, you can:
  - » Find out if the investment professional is registered with the SEC or a state regulatory authority.
  - » Find out if they have customer complaints or a disciplinary history. If they do, ask them about it.
  - » Get the firm's Client/Customer Relationship Summary (Form CRS) and read it. This document can help explain the most important aspects of the investment firm and professional — what services they can offer you and what you will pay for them.

- Before signing any agreement, read it to understand exactly what you are agreeing to when opening an account.
- Some financial professionals may use various senior professional designations. They may use these designations to tout their services to older adults. Even with research, it may not be clear to you whether a professional designation represents legitimate expertise, a marketing tool, or something in between. That's one reason you should always look beyond a financial professional's designations and determine whether they can provide the type of financial services or investment products you need.
- Learn more at Investor.gov/InvestmentProfessionals.

REVIEW YOUR PROGRESS 7

Periodically review your investments and your investment professional, if you have one.

- Check how your investments are doing. Investment needs change as you age. Do you need to rebalance your investments or sell any for year-end tax purposes? Are you on track to reach your investment goals? No one can predict how any investment is going to do. Buying and selling securities often leads to higher fees. Also, selling when an investment is down may lock in your losses.
- Talk with your investment professional, if you have one. Periodically discuss your investments and your financial plan. Discuss the services your investment professional provides and what fees you pay. Ask yourself whether the relationship is still working for you.
- Keep current on your research. Read your investments' periodic disclosure documents. Periodically, check on your investment professional at Investor.gov for disciplinary actions and to confirm they are still registered.
- Learn more at Investor.gov/Review.

8 PLAN FOR ILLNESS OR DIMINISHED CAPACITY

As people age, their mental and/or physical health may decline. Prepare your investment accounts for the future.

- Talk to trusted family members or a trusted friend about your accounts and assets before anything happens.
- Organize your important documents and keep them up to date. Your important documents could include:
  - » Bank and brokerage account statements,
  - » Mortgage, rental, and credit information,
  - » Insurance policies,
  - » Pension and other retirement benefit summaries,
  - » Social security payment information,
  - » Contact information for financial and medical professionals, and
  - » Other important life documents, such as your will and a medical power of attorney.
- Make a list of all the important account information, contact information and policy numbers from these documents. Give a copy of the list to a trusted family member or a trusted friend, or make sure they know where you keep the information.
- Provide your investment professional with trusted emergency contacts and consider periodically updating your trusted family member or friend with an overview of your finances.

- Consider creating a durable financial power of attorney for someone to make financial decisions for you if you cannot, or a trust for your assets.
- Learn more at Investor.gov/PlanningAhead.

9 TAPPING YOUR NEST EGG

Consider how and when to take money out of your investment accounts.

- Consider whether rolling over your retirement account makes sense for you.
    - » Before you roll over any retirement accounts (that is, move your money from one retirement account into another) consider whether it makes sense for you. For example, it might make sense for you if you want to consolidate multiple retirement accounts for convenience or to save on fees. It might not make sense, for example, if you will pay more in fees after rolling over your account.
    - » Be careful. Rolling over money from one retirement account to another is a very specific process. Make sure you understand how it works. If you don't follow the rules, you may end up having to pay taxes. To learn more, visit IRS.gov/rollover.
- Start thinking about taking money out of your investment accounts. This is called decumulation.
    - » In retirement, you may need to take money out of your investment accounts because you need to use that money to pay for living expenses or a one-time large expense. Or, you may need to take money out of your investment accounts due to required minimum distributions, or RMDs.
    - » Consider how much you need to take out and when to take it out.

- » Be thoughtful regarding which assets you sell. Consider how selling those assets will affect your account's diversification and whether you will need to rebalance your investments. Also consider any tax consequences, especially when taking money out of a tax-sheltered retirement account.
- » As you spend down your accounts, consider how the asset sales are affecting your overall financial situation. Do you need to change your investments to make sure you will have enough money to last through retirement?
- » Some annuities include insurance and investment features. These annuities may include features that are designed to help you receive periodic income from your investments over time. Regardless of what an investment is designed to do, it is still important to make sure a specific investment works for your financial situation, matches your risk tolerance, and fits with your other investments.

- Learn more at Investor.gov/NestEgg.

10 LEARN TO SPOT FRAUD

Get educated about fraud and get help when you need it. Don't be afraid to ask questions.

- **Fraudsters use your fears against you.** Don't be misled by your fear of running out of money; your fear of missing out on an investment opportunity or a sure thing; your fear of appearing unintelligent; or your fear of falling behind.
- **Be wary of unsolicited offers in any form.** Be cautious of unsolicited texts, emails, phone calls, social media, and newsletters. It might make you feel special when "chosen" for a special investment opportunity, but when it comes to choosing an investment or an investment professional, you should be the one initiating the contact. This is especially true for investments outside the United States.
- **Take your time with any investment decision.** Pressure to send money RIGHT NOW because of limited supply or time constraints is designed to make you feel an artificial urgency and make a rash decision. No legitimate investment requires you to make a rash decision.
- **Look beyond appearances.** A polished website or video promising a great investment is surprisingly easy to create. Faking expertise or using a celebrity endorsement may be an effort to appear legitimate. Never judge a person's integrity by how they sound or look.
- **Don't rely on someone just because they belong to the same group as you.** Affinity fraud is when someone from the same church, background/ethnic group, fraternal organization, or military background, for example, tries to use that connection to get you to trust them so that they can take advantage of you.

- **Beware of government impersonator schemes.** Con artists often impersonate U.S. government agencies and employees to trick victims into sending them money. Verify the identity of anyone asking for money. Don't rely on the website or contact information the person provides you.
- **If it sounds too good to be true, it probably is.** Promises of easy money or overnight riches are not real investment opportunities.
- **There's no such thing as guaranteed returns with no risk.** Promises of high or guaranteed returns with little or no risk are not legitimate.
- **Be wary of a request to pay with cryptocurrency or gift cards or by wiring money overseas.** These payment options may be used by fraudsters because you cannot track them and you will not be able to get your money back when you realize you've been scammed.
- **Question why you cannot retrieve your principal or cash out your profits.** You should ask to see written disclosure documents explaining any restrictions on withdrawing your money.
- **Get educated about common fraud tactics.** Check out our investor education initiative, called HoweyTrade, which includes videos to show you what investment scams can look like, along with how to spot and avoid fraud. To learn more about HoweyTrade, visit Investor.gov/HT.
- Learn more at Investor.gov/Fraud.

“NEVER STOP LEARNING” CHECKLIST

- ☐ Review the asset allocation of your investments every six to 12 months to determine if you need to rebalance or change any of your investments.
- ☐ Review your account statements every month. If there are any issues, take care of them immediately.
- ☐ Add a trusted contact person to your brokerage account. If you have named a trusted contact, confirm every year that any information you provided to the brokerage firm is accurate.
- ☐ For any new investment, check out its fees and expenses before you invest. For any current investments, review the fee information each year.
- ☐ Before you work with a new investment professional, take your time and do your research. If you are working with an investment professional, check their background on Investor.gov every year for disciplinary actions and to confirm they are still registered.
- ☐ Create a “to do” list for preparing for future illness or diminished capacity. Make it a goal to get one task finished each month.
- ☐ Create a plan for how and when to take money out of your investment accounts. Revisit and review the plan each year after you prepare your tax return.
- ☐ Subscribe to Investor.gov’s monthly investing quizzes, which always contain a few questions on investment fraud. Take the quiz every month to stay sharp.

WHERE TO GO FOR HELP

- Submit a complaint or tip, or report a suspected securities fraud:
  - SEC's Online Tip, Complaint and Referral System
    - Online: www.sec.gov/tcr
- Ask for help:
  - SEC Office of Investor Education and Advocacy
    - Address: 100 F Street, NE, Washington, DC 20549-0213
    - Email: help@sec.gov
    - Telephone: 800-732-0330
    - Online: https://www.sec.gov/oiea/QuestionsAndComments.html
  - Financial Industry Regulatory Authority (FINRA)
    - Address: 9509 Key West Avenue, Rockville, MD 20850
    - Telephone: 844-574-3577 (Helpline for seniors)
    - Online: finra.org
  - North American Securities Administrators Association (NASAA)
    - Address: 750 First Street, NE, Suite 1140, Washington, DC 20002
    - Telephone: 202-737-0900
    - Online: nasaa.org

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