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State of Connecticut

HOUSE OF REPRESENTATIVES

STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE LONNIE REED
ONE HUNDRED SECOND ASSEMBLY DISTRICT

LEGISLATIVE OFFICE BUILDING
ROOM 4071
HARTFORD, CT 06106-1591
HOME: (203) 481-4474
CAPITOL: (860) 240-8585
TOLL FREE: 1(800) 842-8267
FAX: (860) 240-0206
E-MAIL: Lonnire.Reed@cga.ct.gov

MEMBER
ENERGY AND TECHNOLOGY COMMITTEE
GENERAL LAW COMMITTEE
PLANNING AND DEVELOPMENT COMMITTEE

Testimony on HB 5675 To Protect Senior Citizens from Deceptive "Senior Certified" Financial Advisors

A few years ago, when my Dad was feeling fragile following my Mom's death, he was scammed out of \$116,000 by a disreputable, but very friendly Financial Advisor masquerading as a Certified Retirement Financial Specialist. This hustler conferred the title upon himself. He pretended to have high-level training and special knowledge of how retirees should invest their money. I've since learned that other self-conferred titles include: Certified Elder Planning Specialist; Registered Financial Gerontologist; Certified Retirement Financial Advisor; Certified Senior Advisor.

My father was nobody's fool. Or so we thought. He was a savvy retired corporate executive with a finely tuned Trickster-Detector. But it happened to him. And my research has taught me that it is happening to growing numbers of other parents and grandparents, aunts and uncles, friends and neighbors. And it becomes a silent crime when victims are too embarrassed to talk about it.

The Senior market is a goldmine. Citizens 55 and older make up 70% of our nation's investors. Americans 65 and older hold \$65-Trillion Dollars, the largest pool of assets ever amassed by an aging population, according to the Government Accountability Office.

As Senior wealth has grown, so too have bogus programs providing Senior Certification credentials through quickie online courses or sales seminars offered by companies to push their own questionable products through sales forces trained to target the elderly.

Annuities are involved in more than one third of cases of elder financial exploitation. That, according to the North American Securities Administrators Association, a national group of regulators. Hundreds of lawsuits have been filed against insurers over annuity sales to the elderly. Just one class action lawsuit in Minnesota involves 400,000 plaintiffs. And the State of California announced a \$10,050,000 settlement with Allianz Life Insurance Company for allegedly targeting thousands of seniors in deceptive annuity sales, many of those sales made by agents using bogus Elder Specific designations.

And some of these Financial Advisors don't even take a pretend course, they just put Senior Certified designations all over their marketing materials and incorporate it into their sales patter. With no current standards set by state law for people claiming to be specialists in senior financial advising, elders can be easily duped by someone who just received a meaningless paper certificate. There's no law against it. At least, not in Connecticut. But things are changing.

Two years ago, Massachusetts acted to prohibit most financial advisors from using titles like Certified Senior Advisor unless they were recognized by an accredited organization or the state. The California Legislature passed a similar law last session—The Senior Investor Protection Act of 2008. It passed unanimously and the Governor signed it immediately. Nebraska, Wisconsin and Florida are reportedly working on similar statutes as is the Attorney General of New York.

I have also been in discussions with staff attorneys for U.S. Senator Herb Kohl of Wisconsin who heads the U. S. Senate's Select Committee on Aging and he is introducing a bill in April that calls for U.S. Justice Department grants of \$300,000 to states who beef up their efforts to stop Elder Financial Abuse. Senator Kohl's committee has heard abundant testimony citing these phony Senior Certified Financial designations as a huge and growing problem. It would be excellent if Connecticut were in a position to accept one of these grants should they happen.

CALIFORNIA NOTES ON HOW MUCH IT WILL COST:

The bill was not heard by the California Senate Appropriations Committee, but passed out of the Committee per their rule 28.8 which is reserved for bills with minimal or no costs (the bill basically skips the Appropriations Committee and goes straight to the Senate Floor).

While in the California Assembly (prior to some amendments to conform more closely to the NASAA model rule), the fiscal estimate from the Assembly Appropriations Committee was as follows:

FISCAL EFFECT:

One-time costs of about \$10,000 to \$15,000, probably absorbable, to Department of Corporations (DOC) for adopting regulations regarding criteria for recognizing accredited organizations. Ongoing costs of listing accredited organizations would be absorbable.

GUIDELINES FOR LEGITIMATE CERTIFICATIONS:

The North American Securities Administrators Association (NASAA) recommends for legitimate recognition:

The American National Standards Institute; The National Commission for Certifying Agencies; or an organization that is on the US Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes and the designation or credential issued therefrom does not primarily apply to sales and/or marketing.