

Opening Statement of Senator Herb Kohl - March 29, 2006  
Special Committee on Aging Hearing  
Not Born Yesterday: How Seniors Can Stop Investment Fraud

We call this hearing to order and welcome our witnesses. I would also like to thank Chairman Smith for working with me on today's hearing to shine a bright light on the disturbing and growing problem of senior investment fraud.

We've all heard stories of seniors losing their money through one scam or another – foreign lotteries, telemarketing schemes, identity theft. But today, seniors are facing new risks. Many are struggling to meet rising health and day-to-day living costs, bearing more risk in their pension plans, and anticipating long term care expenses. And too many find that their savings just aren't enough.

Faced with this shortfall, many seniors are turning to investments to increase their retirement income. Some are investing wisely and building the savings they need. But sadly, others are proving too easy prey for con artists ready to steal their hard earned and harder to replace money.

Investment fraud is on the rise. My home state of Wisconsin saw a twenty-one percent increase in the number of financial abuse cases reported in 2004. And experts estimate that only one in 25 cases are reported nationwide.

Today our witnesses will describe the many faces of senior investment fraud: investment seminars designed to steal senior's personal information; ponzi schemes; trumped up "senior specialists" who have no special financial training; and "callable" CDs - just to name a few. Regardless of the scam, the outcome remains the same: seniors lose their irreplaceable retirement income.

You don't have to look far to find an example near you. In Wisconsin, we heard the story of a retired dairy farmer who invested \$85,000 dollars in what he was told were gold coins, with promises of an 8 to 40 percent return on his investment. Little did he know that he was being drawn into an intricate, interstate ponzi scheme. He will probably never see his money again.

We've also heard from an attorney in Milwaukee who tells the story of her client losing \$40,000 dollars to a questionable estate planner who convinced a senior to invest in his "business venture." The business venture didn't exist and the senior's money was gone.

Let us make one thing clear. Investments are not a bad thing for seniors. They can be useful retirement income vehicles. It is the bad actors and criminals who peddle fraudulent investments that we must stop.

Today's hearing will be a first step. One of the keys to stopping senior scams is to educate seniors looking to invest. To that end, I have developed a tip sheet to help seniors know what to watch out for when investing, and where to turn for help. This

handout will be available to Wisconsin seniors through my office, and we encourage other states to use it as a model to distribute to their seniors as well.

I also plan to continue working with our expert witnesses on legislation to protect seniors from scam artists. We need to tighten rules that require sellers of securities to disclose their credentials and training, as well as any hidden fees or high risk investments they sell. We should also make it easy for seniors to check out specific sellers to ensure they are reputable, and increase penalties for those who run these scams.

We need to make sure that Federal and State law enforcement officials have the training and the resources they need to investigate and prosecute senior investment fraud. Finally, we need to pass the Elder Justice Act, which includes key research and training provisions to combat investment fraud.

As our population ages and seniors live longer, they will look for ways to make their retirement income last as long as they do. We need to make sure that they can safely invest without the added worry that an unscrupulous advisor will run off with their money.

If seniors take away one message from today's hearing, I hope they remember this: *It took you a lifetime to save your retirement money – take five more minutes to make the call that could protect it.*

We look forward to hearing from our witnesses. We now turn to Chairman Smith for his opening statement.