Utah Department of Commerce
Division of Securities

PROVIDING INVESTORS WITH THE INFORMATION AND RESOURCES THEY NEED TO MAKE INFORMED DECISIONS ABOUT THEIR INVESTMENTS.

Investor news
Summer 2015

Are Your Retirement Savings at Risk?

Retirement savings are entitled to protection under the law, but those rules don't apply to every savings plan. With 401(k)s and IRAs, individual investors are more responsible than ever for making important investment decisions, and most don't have the training they need. That means investors are increasingly reliant on the advice they receive. Ideally, your adviser will have your best interest at heart-but that's not always the case.

Advisers giving sound advice deserve to be well paid for the important work they do, helping workers build their nest eggs so they can retire after years of hard work. However, an adviser may have a conflict of interest if he or she gets paid for steering clients into one investment product instead of another. Clients are sometimes unaware of these payments because they can be hidden in fine print or not disclosed at all. These fees can give advisers an incentive to make recommendations that generate the highest fees for them, rather than the best investment return for their client. Independent research suggests that conflicts of interest are costing middle class families billions of dollars each year.

Based on extensive review of independent research, a White House Council of Economic Advisers (CEA) analysis found that conflicts of interest result in annual losses of about 1 percentage point for affected retirement savers-or about $17 billion per year in total. To demonstrate how small differences can add up: A 1 percentage point lower return could reduce your savings by more than a quarter over 35 years. In other words, instead of a $10,000 retirement investment growing to more than $38,000 over that period after adjusting for inflation, it would be just over $27,500.

For additional information on this topic and answers to other questions, visit:

www.dol.gov/featured/ProtectYourSavings/faqs.htm

Consumer Protection Alert

Cell Phones and the "Do Not Call" Registry

Consumers may place their cell phone number on the **National Do Not Call Registry** to notify marketers that they don't want to get unsolicited telemarketing calls.

The truth about cell phones and the "Do Not Call Registry" is:

- The government is **not** releasing cell phone numbers to telemarketers.
- There is **no** deadline for registering a cell phone number on the Do Not Call Registry.
- Federal Communications Commission (FCC) regulations prohibit telemarketers from using automated dialers to call cell phone numbers without prior consent. Automated dialers are standard in the industry, so most telemarketers are barred from calling consumers' cell phones without their consent.

There is only one Do Not Call Registry, operated by the Federal Trade Commission (FTC), with information available at donotcall.gov. There is no separate registry for cell phones.

The Do Not Call Registry accepts registrations from both cell phones and land lines. To register by telephone, call **1-888-382-1222** (TTY: 1-866-290-4236). You must call from the phone number that you want to register. To register online (donotcall.gov), you will have to respond to a confirmation email.

If you have registered a mobile or other telephone number already, you don't need to re-register. Once registered, a telephone number stays on the Do Not Call Registry until the registration is canceled or service for the number is discontinued.

Hot Topics *for* Savvy Investors

Risky Oil and Gas Investments

Utah investors should be wary of believing an oil and gas boom or high oil prices are signs of potential high returns in oil and gas drilling programs. Hydraulic fracturing, also known as "fracking," and horizontal drilling are credited with facilitating record levels of oil and natural gas production in this new, technology-driven boom that has grabbed national headlines.

Oil and gas booms and high oil prices create a heightened interest in investments in energy related business ventures. Oil and gas investment products may be offered in the form of commodities, exchange traded funds (ETFs), private placements, crowdfunding, limited partnership interests, ownership of fractional undivided interests in leases, general partnerships, joint ventures, stock in energy companies, and bonds or secured notes. In a drilling limited partnership, an oil or gas company sells partnership units to investors and uses the money it raises to lease property and drill wells. In return for managing the project, the sponsor company usually takes an upfront fee that averages about 15-16% of one's investment (commonly referred to as tangible and intangible drilling costs) and also shares in a percentage of any revenue generated. In return, the promoter offers the investor the prospect of a substantial first year tax write-off and quarterly cash distributions from the sale of any oil and gas the partnership finds until the wells run dry. Drilling partnerships are very speculative, a highly illiquid investment and can have a long holding period.

Unfortunately, scam artists and unscrupulous promoters follow the headlines and are quick to capitalize on the increased interest of investors who are frequently unfamiliar with the high degree of risk typically associated with oil and gas ventures. These types of energy investments are generally only suitable for investors who can bear the loss of their entire principal. Some promoters will conceal these risks by using high pressure sales tactics and deceptive marketing practices to peddle worthless investments in oil wells to the investing public. A common phrase fraudsters will employ to lure investors into their scam is the investment has guaranteed high returns with no risk. However, higher returns always include a higher level of risk.

Fraudsters will also structure the limited partnership in one state, the operation and physical presence of the field in a second state, and make the offer to prospective investors in states other than the initial two states. Thus there is less of a chance of an investor dropping by a well site or a nonexistent company headquarters. Such structuring makes it difficult for Securities Fraud Investigators and victims to identify and expose the fraud. Investors should conduct thorough due diligence and assess their own tolerance for considerable risk when contemplating the purchase of interests in oil and gas programs.

If you have questions about any investment, contact the Utah Division of Securities at 801-530-6600. For more information about this topic, visit securities.utah.gov, or nasaa.org.

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News for Educators

Money Smart *for* Young People

The FDIC's new instructor-led ***Money Smart for Young People*** series consists of four free curriculums available to educators and parents.

They are Money Smart for:
- Grades Pre-K-2,
- Grades 3-5,
- Grades 6-8, and
- Grades 9-12.

This standards-aligned curriculum series empowers educators with engaging activities to integrate financial education instruction into subjects such as math, English, and social studies. Each of the four curricula includes:

- Educator's Guide with lessons and hands-on activities.
- Teacher Presentation Slides.
- Student Guides that can be used at school or at home.
- Parents'/Caregivers' Guide that offers exercises, activities, and conversation-starters for parents.

The curriculum is free and can be downloaded at **https://www.fdic.gov/consumers/education/torc/curriculumtools.html**

The Stock Market Game™

The annual Stock Market Game teacher training will be held on August 5, 2015 from 9:00 am – 4:00 pm at the Heber M. Wells Building, 160 E. 300 S., Salt Lake City, UT. This training will provide an introduction and overview for teachers who want to implement the program into their classroom curriculum.

Instruction will include an overview of the how the lessons meet national and state subject standards, use of the teacher support center, the process for registering teams, and strategies to play the game successfully.

The training is free, but space is limited. Register via email: Kristi Wilkinson, **kwilkinson@utah.gov** by July 29. Professional Development credit is available through USOE's OnTrack Professional Learning Center.