

The 2007
SAFE
INVESTING
GUIDE

The ultimate guide to
investigate before
you invest

**Visit the Delaware
Department of Justice's
www.InvestorResourceCenter.org
for more on becoming
an informed investor**

Read the full story about the
Investor Resource Center on **Page 3**

Welcome

Delawareans today have access to a wide variety of investment options. Whether you are seeking to build a long-term investment portfolio or approaching the time when you'll begin to live off your investment earnings, your investment choices should be based on an informed decision-making process. You should take into account the many factors that can affect your investment performance, including the level of risk, tax implications and payout options.

Unfortunately, criminals are also at work every day employing fraudulent schemes to cheat you out of your hard-earned investment dollars. These individuals scam victims by selling illegitimate investments, offering products that promise high returns with little or no risk, or pushing products with hidden fees.

Education is a powerful tool at your disposal to make smart investment choices and combat the dishonest people who pose a risk to your security. That's why the Delaware Department of Justice offers this Safe Investing Guide. This publication contains valuable insight on identifying fraudulent schemes, helpful tips for making sound investment decisions and information to enhance your understanding of personal finance.

The Department of Justice has also built an interactive online Investor Resource Center at www.InvestorResourceCenter.org, which you can access from the comfort of your home. This Web site features video webcasts by government, academic, and industry experts that provide lessons on avoiding investment fraud and understanding investment risk, as well as legal documents to protect investors. These videos are targeted to people of all ages, including young people and families, middle-aged individuals, and mature investors approaching retirement. Former *CNN Financial* anchor Myron Kandel and best-selling author and *Newsweek* columnist Jane Bryant Quinn are the site's keynote lecturers. The Web site also contains articles representing a wide variety of investor issues and helpful links to additional information to promote good investment health.

This Safe Investing Guide and the online Investor Resource Center were funded by fines and penalties paid by those who have violated the Delaware Securities Act. The Delaware Department of Justice uses these funds to combat investment fraud through legal action and public education.

I encourage you to familiarize yourself with the important information contained in this Guide and visit www.InvestorResourceCenter.org to learn more. Our goal is to help all Delawareans become safe and informed investors.

Beau Biden
Attorney General



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James Ropp
Delaware Securities Commissioner



Some information contained in this informational publication has been obtained from the North American Securities Administrators Association (NASAA). Pictures and images are courtesy of istockphoto.com

The Securities Division is a unit of the Delaware Department of Justice and is charged with the regulation of the securities industry in Delaware. If you have a question or concern that relates to the securities business in Delaware, please contact us or visit our Web site. If you would like to file a complaint on an investment-related matter, call (302) 577-8424 or (800) 220-5424. You may also submit your complaint through our Web site by clicking on the "Complaint Form" link.

Are you financially fit?

Take your financial pulse with this quick quiz



How do you measure up?

180 pts.
Very Healthy!

85+ pts.
Not Bad

<85 pts.
Sickly, get help quickly

If you have enough money to cover 3 times your monthly expenses in an "emergency only" savings account, add 20 points.

If you do not keep track of your spending **daily**, subtract 15 points.

If you save money out of **each** paycheck received, add 20 points.

If you always pay **more than** the suggested minimum payment on each credit card account, add 20 points.

If, after the last time you received "extra" money, you **did not** add some to your savings account, subtract 25 points.

If you pay off your old car or truck loan before buying a new vehicle, add 25 points. If you then start putting that amount into your savings account each month, give yourself another 10 points.

If you **do not** have a written spending plan (budget), subtract 15 points.

If you save ahead to cover irregular, fixed expenses (i.e., car insurance) that are not paid monthly, add 15 points.

If you do **not** obtain a copy of your credit report regularly, subtract 25 points.

If you had problems getting credit within the last year, subtract 20 points.

If you have **more than 20% of your take-home pay** (excluding mortgage or rent) committed to credit payments, subtract 35 points.

If you **always** pay your bills **on or before** the due date, add 25 points.

If you shop around for the best credit deal **before** taking out a loan or mortgage, add 15 points.

If you **know your credit (FICO) score**, add 15 points.

If you **really** know what it means to co-sign a loan with someone, add 15 points.

TOTAL

Safe Investing

...at the click of a computer mouse

Delaware Department of Justice debuts new Web site to help you investigate before you invest

The Delaware Department of Justice has launched a new interactive Web site to inform Delawareans about smart investing practices and fraud prevention.

The Investor Resource Center, which you can access online by visiting www.InvestorResourceCenter.org, features free webcasts from leading financial experts Jane Bryant Quinn and Myron Kandel and offers investors helpful tools at the click of a mouse.

The Delaware Department of Justice also reached out to numerous financial experts with backgrounds in government regulation, the private sector, and academia to share their insights.

With important topics like avoiding investment scams, understanding deferred compensation plans, investing basics, debt is a four-letter word, avoiding identity theft, and critical legal documents to protect yourself and your finances, Delawareans now have the ability to become better informed investors from the privacy of their own homes.

A complete list of the free webcast seminars hosted on the Investor Resource Center can be found on the back of this publication.

Best of all, this Web site is a free resource that is funded through the fines and penalties collected from violators of the Delaware Securities Act, not taxpayer dollars.

But what if you don't have access to the web? If you can't watch the webcasts at an Internet café or your local public library, you can view the program on television. See the back cover of this publication for details on dates and times in your county.

www.InvestorResourceCenter.org

Free tips from seasoned investment professionals on a variety of topics like Identity Theft, Debt Management Credit Scoring and more...



If you think the Investor Resource Center is only a place to watch seminars on the web, then you might want to take a closer look.

True to its designation as a "resource," the Web site also features online brochures, links to other informative pages, and a way to check on your investment professional, all at the click of your mouse. And you won't just learn about this exciting new outreach program on the web. Investment awareness messages, broadcast on television

and radio throughout the month of September, will allow victims of investor fraud to share their stories of tragic encounters with scam artists right here in Delaware.

So whether it's on the web, in print, on television or over the radio, make sure you take some time this month to learn more about savings, safe investing and fraud prevention.

You owe it to yourself to become a better investor by investigating before you invest!

Keynote Speakers



Jane Bryant Quinn is the best-selling author of *Making the Most of Your Money*, a comprehensive guide to personal money management. She is also a columnist at *Newsweek* magazine, and has made frequent appearances on CBS News, ABC, and the Public Broadcasting System (PBS).



Myron Kandel is perhaps best known as the founding financial anchor and economic commentator for *CNN*, a network he was with for 25 years. In 2000, Kandel was named one of the 10 most influential financial journalists of the 20th century. He is currently the president of The Initiative for Corporate Responsibility and Investor Protection.

Photos courtesy of Jane Bryant Quinn and Myron Kandel

Investor Alert



With more people in charge of their investment portfolios than ever before, the Delaware Securities Division is warning investors about the increasing sophistication of scam artists who steal money from unsuspecting clients. Victims include everyone from the retired couple next door, to the hot-shot young executive hoping to make a fast buck, to the doctor and

his country-club friends. State securities agencies are moving aggressively to catch these swindlers and warn everyone that constant vigilance is the basic ingredient of being a safe investor in today's securities market. Most investment professionals are honest; that's why con artists see the burgeoning field of financial advice as a great way to line their pockets. Visit www.InvestorResourceCenter.org to learn more.

Online Investing

Know the facts before you invest online

These days, so many people have access to computers with fast Internet connections that a large number of investors are managing their own finances online.

While online trading can be a “hands-on” learning experience for investors, it may not be appropriate for everyone. Whether you manage your investments on your own over the Internet or by working face-to-face with a broker or investment adviser, it is essential that you know what types of securities you are purchasing, how they meet your investment goals and the risks associated with each investment.

Online Trading and the Long-Term Investor

Investors can trade securities online as part of a long-term investment plan. Some investors research securities and then place trades without any professional guidance. Others use the Internet to self-manage a portion of their investments and then consult a broker or investment adviser for help in managing the rest of their portfolio.

Online Trading and the Short-Term Investor

Some investors use the Internet to trade frequently with the hope of profiting from a rapidly-changing market. Although the possibility of quick profits may be alluring, this strategy is risky. Market fluctuations, inaccurate information about anticipated changes in stock prices, and delays in the execution of online trades may lead to financial losses.



Tips for Online Investors

The following tips were developed by the North American Securities Administrators Association (NASAA) to educate investors and to help them think carefully about online investing. Before beginning an online investment program, be sure to:

1. Understand it is unlikely that you are linked directly to the market through your home computer, and the click of your mouse may not instantly execute trades or cancel orders.
2. Determine if the stock quotes and account updates you receive are real-time or delayed. Also, check the on-line broker's ability to get the best price for investors. Most brokerage firms provide this information on their Web site.

3. Make sure the firm backs up any advertised claims it makes about the ease and speed of online trading.

4. Obtain information about entering and canceling orders (market, limit and stop loss) and the details and risks of margin accounts (borrowing to buy stocks).

5. Get information from the firm about significant Web site outages, delays, and other interruptions that may affect your ability to execute trades. Make sure that the firm has an alternative way to execute trades.

6. Review the firm's privacy and security policies to find out if your name will be used for mailing lists or other promotional activities by the firm or any other party.

7. Demand clear information about sales

commissions, transaction fees and conditions that apply to any advertised discount on commissions.

8. Know how to contact a customer service representative if problems occur. Request prompt attention and fair consideration.

9. Keep written records of your investment products.

Contact the Delaware Securities Division to verify the registration status and disciplinary history (if any) of the online brokerage firm, or to file a complaint, if appropriate. Please call (302) 577-8935.

Tips to steer clear of investor fraud

1 Always ask questions before you invest. Make sure you're informed about the risks, benefits and fees involved in any investment transaction. If you don't understand something, ask.

2 If it's too good to be true, it probably is. You should be suspicious of any investment opportunity that promises an excessively high rate of return, claims to be “guaranteed,” “low risk,” “tax-free,” asks you to send money out of the country, or demands that you pay in cash.

3 Ask if the investment you want to buy and the broker involved are registered in the State where you live. The vast majority of investment fraud investigations in Delaware involve the sale of unregistered, non-exempt securities.

4 Find out all the hidden fees of your investment.

5 Be suspicious of high-pressure sales tactics. Investment opportunities that require immediate action are often illegitimate. Most legitimate

investment opportunities will provide you a reasonable amount of time to investigate or evaluate the claims being made.

6 Avoid “high-return, low-risk” or “guaranteed” investments — they don't exist. It is not uncommon in fraudulent investment schemes for the perpetrators to tout their investments as “low risk”, “no risk”, or “guaranteed.” These claims are often made in conjunction with unreasonably high promised rates of return, and should raise a red flag when you're considering investing.

7 Always ask for a prospectus — and read it. A prospectus is a formal written offer to sell securities that is filed with the U.S. Securities and Exchange Commission. It should contain all the facts that you will need to make an informed decision.

8 Understand and state your investment objectives clearly to your financial professional. Knowing your limitations and goals can help you and your broker make smart choices together. After you begin

investing with a professional, don't leave all the important work to them, either. Don't expect your investment professional to do the double-checking for you. By remaining vigilant with your account, you are able to clear up any miscommunications that may exist with your broker.

9 Invest for the long term, rather than short-term emotional investing. Develop an investment strategy that takes your objectives and limitations into account and stick to it.

10 Remember that the higher the amount of return on an investment, the higher the risk that you can lose money. Make sure you can bear the risk on high-return investments before you buy them.



Beware

There's no such thing as a free lunch

It is increasingly common for financial professionals to offer a free meal or other incentive, especially to seniors, to encourage investors to attend investment seminars.

The Delaware Department of Justice has no quarrel with legitimate sales presentations where the products sold are suitable for the individual investor and all details and risks are disclosed. You should remember, however, that the purpose of the free meal seminar is primarily to sell a particular investment product or service.

Unfortunately, in practice, some of these presentations do not provide full disclosure about financial products and some of the products sold are unsuitable for particular investors. Sometimes, overly generous promises regarding performance or returns are made at these seminars.

Investing involves risk and such guarantees are sometimes misleading. In addition, when the investment promoter is pushing a particular product, it may not be appropriate for every investor.

When selling an investment product, the seller should only sell products that are suitable for the investor, taking into account the investor's resources, financial goals, circumstances, investment timeline and risk tolerance. This is not always the case.

In recent years the Department of Justice has seen a steady increase in sales of very complex high commission investment products. Some of these sales are made without full disclosure of the risks, expenses and fees.

Any investor, before investing their hard-earned retirement savings should receive full disclosure of commissions that the seller will receive on the sale of the product. If there is no commission, disclosure should be made of all fees that will be incurred for the product sold or the financial advice provided.

Questions you should ask include:

1. What product is the seller registered or licensed to sell in the buyer's state?

2. Is the seller or financial professional registered by the state or federal government to sell investment products or to accept compensation for investment advice?

3. Can you withdraw your funds at any time, or will surrender fees or penalties be imposed if any or all of the invested funds are withdrawn?

4. Are there any tax consequences or penalties involved in the transfer of retirement funds or securities to a new account?

If the above information is not clear to you as the potential investor, you should ask questions and make sure you are satisfied that you have received all the information you need to make an informed decision about the investment, product or service. If questions are not answered to your satisfaction, you should decline to purchase the product or service.

One reason to urge caution and due diligence before investing is that you are usually stuck with any unfavorable terms after the contractual documents are signed.

The Department of Justice has, over the years, received complaints that sellers at free investment seminars have failed to disclose that their funds would not be readily available if they wished to cash out the investment, that surrender fees will be imposed if funds are withdrawn before the specific date, and that the transfer of funds from one account or financial professional to another can create negative tax consequences.

In some instances, the investment seminars are used to encourage the participant to leave their current financial professional to sign on with the investment professional hosting the program.

Few decisions in life are more important than the selection of the person to whom you will entrust your life savings.

The selection of a financial professional is a significant decision and should be made with care and only after careful research.

As an investor, you can choose the services of any registered professional with whom you wish to do business. However, few decisions in life are more important than the selection of the person to whom you will entrust your life savings.

Always interview a financial professional before hiring that person to assist you with your finances and be sure to ask yourself these questions:

1. Is the financial professional registered with the state or federal government to sell securities or other investment products?
2. Does he or she have an appropriate educational background to provide advice on investments or financial planning?
3. What is the extent of the financial professional's experience in the business of selling investments or providing investment advice?
4. Is he or she a member of any professional organizations and, if so, what do those professional certifications or designations require?
5. Is the financial professional interested in your financial goals, circumstances and risk tolerance, or is he or she just interested in selling you the next "hot" product?
6. Is the financial professional knowledgeable about common financial principles including diversification, asset allocation, portfolio rebalancing and the tax consequences of investment decisions?
7. Has the financial professional fully explained what services he or she will perform and exactly how you will be required to pay for those services?

Once you have done your research and selected a competent, honest and diligent financial professional, your work does not end there. You must review your account statements and any purchase or sales confirmations you receive from your broker or financial professional every month to ensure that there have been no mistakes or unauthorized transactions on your account.

An investor should promptly notify the firm in writing of any mistakes or unauthorized trades. Remember: there is no such thing as a free lunch.





Investing Basics

If you suddenly inherited a sizable sum of money, how would you invest it? Or, are you planning on building a retirement nest egg or education fund for your children? Who could you trust to assist you in making informed decisions? Take the time to educate yourself so you can make knowledgeable investment decisions.

There are thousands of different types of investments from which to choose. Let's start with the basics that nearly everyone has heard of. These include stocks, bonds and mutual funds.

1 Stocks

When you own stock, you own part of the corporation. Common stock and preferred stock are two of the most commonly traded types of stocks.

Generally, common stock is bought and sold on one of the recognized stock exchanges such as the New York Stock Exchange, American Stock Exchange, or the NASDAQ Exchange.

Stocks will often pay dividends to shareholders, and profits can be earned by investors through price increases. Losses are incurred when the price of the stock falls below the price paid for it. Dividends earned by owning a stock are subject to income taxation and will normally be reported by the payer on a Form 1099-DIV. Consult your tax advisor to discuss the intricacies of income tax liability with respect to your investments.

2 Bonds

Bonds are nothing more than debt obligations issued by the government or by corporations. Bonds generally

pay interest semi-annually and are purchased at a discount from the price you will receive when the bond matures after a specific amount of time. Generally, bonds with longer maturities (the length of time before they can be redeemed at face value) pay higher interest rates. Interest earned from owning bonds is usually fully taxable. The payer issues a Form 1099-INT for income tax purposes and this amount should be included on your income tax return.

3 Mutual Funds

Mutual Funds are among the most popular investments today. There are over 8,000 mutual funds representing a myriad of investment strategies and investment sectors available. A mutual fund is a synonym for open-ended investment company or "open fund."

Mutual funds are managed by professional money managers who charge a fee for their services. Managers in charge of the mutual fund invest in a variety of stocks, thus diversifying its holdings. If stock prices in the fund increase, a profit is earned. Conversely, if the price drops and the fund's Net Asset Value (NAV) declines, a loss is suffered.

The income tax impact of owning mutual funds can sometimes be complex due to the purchase or sale of stocks owned by the fund and the resulting gains or losses.

You may have to include capital gains or losses on your tax return as well as dividends that were paid by the stocks held by the fund.

4 Risk vs. Return

Before plunging into any type of investment, you have to decide how much risk you are willing to assume.

The riskier the investment, the higher the possible rate of return. Low risk investments, such as U.S. Treasury obligations offer smaller, but safer, returns. At the top of the risk-return chart are junk bonds, futures, options and common stocks of small companies with little or no operating history.

These investments offer higher returns because of the considerable risk associated with them. Conversely, high quality corporate bonds and U.S. Treasury obligations present the least amount of risk yet offer a smaller return.

Investors must weigh risk and return to devise an investment strategy that fits their financial goals and needs.

5 Measuring Performance

Stock performance can be easily measured by evaluating the price of the stock at the end of a given year. This percentage change in the stock price can then be compared to the performance of indexes such as the *S & P 500* or the *Dow Jones Industrial Average*.

Comparing your stock's performance with these indexes is an excellent way to track your investments.

A mutual fund's performance is easily measured by comparing the Net Asset Value (NAV) at the beginning of a period with the NAV at the end.

The NAV of a mutual fund will also change when capital gains are distributed to shareholders, which can sometimes be confusing to the uninformed investor. The change in value of a fund before a capital gains distribution can be used to compare your fund's performance against similar mutual funds.

Always try to compare the performance of mutual funds that are similar in their investment objectives. For instance, do not compare your capital appreciation fund with a "hedge" fund or an industry specific sector fund.

A bond's performance is usually known to the investor from the outset. You can ascertain the current yield and yield to maturity on any bond by asking your broker. These figures are readily available and can then be compared with other investment options such as common stocks or mutual funds.

6 Become an Informed Investor

The key to a successful investment strategy is no different than shopping for groceries. The wise investor will always take the time to become as informed as possible before investing hard-earned dollars. By learning as much as possible before investing, and monitoring your investment carefully, you can reap a healthy return on your portfolio over time.

Consult the checklist below to inform yourself when considering any investment opportunity.

Safe Investing Checklist

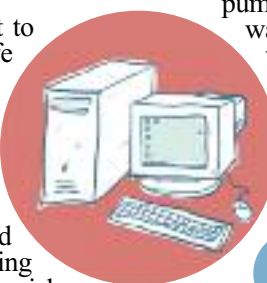
1. Does the investment meet your investment goals?
2. Do you understand and accept the risks involved?
3. Is the investment part of a balanced portfolio?
4. Can you sell the investment when you want to?
5. Do you understand the withdrawal conditions?
6. Has the seller given you written information that fully explains the investment and have you read (and understood) that information?

Don't take the bait

By knowing the kinds of traps to look out for when investing your money, you can protect your wealth. Don't fall victim to these Top 10 Investment Traps.

Each year the North American Securities Administrators Association (NASAA) issues its list of the Top 10 Traps investors face.

From the outset, it is important to remember that the path to safe investing is littered with scams that catch unwary investors. It always pays to know that any investment that sounds too good to be true usually is.



Investor traps are usually baited with slick sales pitches promising high returns for little or no risk. Investors also can become trapped by legitimate investment products that are suitable for some investors, but not all. Before making any investment decision, you should make sure that both the salesperson and the investment are licensed and registered in your state and you have been given adequate written information that fully explains the investment.

As an investor, you should also make sure any claims made about investment opportunities are realistic.

The following list, in alphabetical order, is NASAA's Top 10 Traps for investors.

1 Affinity Fraud & Con artists

Con artists are increasingly targeting religious, ethnic, cultural and professional groups. Some may be members of the group or claim to be in order to gain trust. Con artists often recruit a respected member of a community or religious congregation to promote their schemes by convincing them that a fraudulent investment is legitimate. In many cases, even these leaders become victims of what turns out to be a fraudulent scheme. Remember: investigate before you invest – no matter who is selling.

2 Foreign Exchange Trading

Foreign exchange (Forex) trading can be legitimate for governments and businesses concerned about fluctuations in international currencies, and may be appropriate for some individual investors. But the average investor should be wary when it comes to these complex markets. Forex scams attract customers with sophisticated-sounding offers placed in newspaper advertisements, radio promotions, or on Internet sites. Remember: if you don't understand an investment, don't invest.

3 Internet Fraud

Scammers take advantage of technology to lure investors into "pump-and-dump" stock schemes. Be wary of investment opportunities that are pitched through unsolicited e-mails, instant messages and phony websites. Remember: the internet can give a con artist easy access to you and your money.

4 Oil and Gas Scams

Rising oil and natural gas prices have made a variety of traditional and alternative energy projects attractive to investors. Many of these investments are highly risky and not appropriate for smaller investors. Some are simply fraudulent. Remember: con artists tend to follow the headlines.

5 Prime Bank Schemes

Often promising high-yield, tax-free returns, promoters of these schemes offer to let the "little guy" in on what they claim are financial instruments from elite overseas banks offered only to the world's wealthiest investors. Prime banks do not exist and the scam artists have no intention of creating a profit for anyone but themselves.

6 Private Securities Offerings

Con artists are turning increasingly to private securities offerings to attract investors without having to go through the full registration process. Although often legitimate, these offerings are sometimes associated with fraud and are usually suitable for only the most sophisticated investor. It pays to consult a trusted financial advisor.

7 Real Estate Investment Contracts

Despite the recent volatility in property values, investments in real estate have long been viewed as a "sure thing," with little downside risk and the potential for substantial returns. Some real estate investment programs are securities subject to full regulation under state and federal securities laws, including registration requirements and antifraud rules. Remember: even if an investment involves real estate, it may be a security.



8 Unlicensed Individuals & Unregistered Products

Anyone selling securities or providing investment advice about buying or selling securities must be appropriately licensed. Individuals engaging in these activities without a valid license to do so should raise a red flag. Carefully check out anyone offering to help you buy or sell securities or providing investment advice.

9 Unsuitable Sales

What might be a suitable investment for one investor might not be appropriate for another. Securities professionals must know their customers' financial situation and refrain from recommending investments they have reason to believe are unsuitable. For example, variable and

equity indexed annuities are often unsuitable for senior citizens because those products are generally long-term investments that limit access to invested funds. Make sure your investments match up with your age, your need liquidity, and your risk tolerance.

10 Investment Seminars

Promoters of unsuitable investments increasingly seek potential investors, particularly seniors, by offering free seminars. Many promise a complementary meal along with "higher returns and little or no risk" investments. Unfortunately, in many cases reviewed by securities regulators, the opposite is true: high risk and no returns, just disastrous losses. Remember: there's no such thing as a free lunch.

Information compiled from the NASAA's Top 10 Traps facing investors.



Senior investors

Sometimes so-called Senior Specialists create a false level of comfort to lure senior investors into a scam

Seniors should carefully check the credentials of individuals holding themselves out as senior specialists.

Con artists use the promise of high commissions to lure brokers, insurance agents, investment advisers, accountants and lawyers, some of whom are not licensed to sell securities, into offering investments they may know little about and cannot explain.

Some of these individuals hold nothing more than a "designation" as senior specialist, implying that they have expertise in assisting seniors in structuring their investments to reduce taxes, minimize risk and avoid state probate laws.

State regulators are concerned that these individuals are misusing "senior specialist" designations to provide a false sense of security to their customers.

Individuals may call themselves senior specialists to create a false level of comfort among seniors by implying a certain level of training on issues important to the elderly. The training they receive, however, is often nothing more than marketing and selling techniques targeting the elderly.

While there are organizations whose members complete rigorous programs of study and pass extensive examinations to earn "senior specialist" designations, others require little or no training.

Senior investors should make sure they deal with individuals who are licensed by state securities regulators that license brokers and investment advisers only after they pass rigorous competency examinations. If you are buying insurance products, make sure the person is licensed by state insurance regulators.

The North American Securities Administrators Association's Investment Adviser Operations Project Group has observed a significant increase in designations claiming to provide the holder with expertise in providing services to investors 55 years of age and older.

State securities regulators have opened a number of



investigations in recent years involving senior specialists. Many involve securities recommendations by

individuals who are not properly licensed by state regulators.

Bogus senior specialists commonly target senior investors through seminars where the specialist reviews seniors' assets, including securities portfolios. Typically, the specialist recommends liquidating securities positions and using the proceeds to purchase indexed or variable annuity products also offered by the specialist.

In many jurisdictions, these recommendations may be viewed by regulatory agencies as providing investment advice for compensation. In such cases, the senior specialist would be offering investment advice as an unregistered investment adviser and, therefore, be

subject to enforcement action by regulatory agencies.

Before doing business with any investment professional, check with the Delaware Securities Division to determine whether the individual is properly licensed and if they or their firm have been the subject of any complaints or disciplinary actions.

Learn more about various professional designations online at www.finra.org/InvestorInformation and click "Professional Designations."

Information compiled from the North American Securities Administrators Association Web site.

Contact the Delaware Securities Division at (302) 577-8935 to find out if your investment professional is properly licensed.

The facts on senior fraud

44 The estimated percentage of all investor complaints, received by state securities regulators in 2006, that were made by senior victims.

31 The percentage of all enforcement actions taken by state securities regulators in 2006 that involve senior investment fraud.

Information compiled from the North American Securities Administrators Association

Be on the lookout



Home improvement schemes

Home improvement schemes are becoming increasingly common. Be wary when you are approached by a door-to-door contractor. Reputable contractors will give you time to consider an offer. If you are unsure about the contractor, first call your local municipality to see if he or she is registered, and then contact the Better Business Bureau at (302) 230-0108 to find out if any complaints have been lodged against the contractor.

You've won a prize!

Be suspicious of phone calls, e-mails or letters stating that you've won a contest or lottery you never entered. Such notices are almost always scams. Never call a 900 telephone number or similar service number to respond to a notice that you have won a prize, have received an award or have been selected or are eligible to receive something of value.



SAFEGUARD YOUR IDENTITY

Learn how to protect yourself from Identity Theft before you become a victim. Take steps now to protect your good name.

Identify Theft is one of the fastest growing areas of consumer crime in America.

The 2007 Identity Fraud Survey Report, co-sponsored by the Better Business Bureau, states that 8.4 million Americans were the victims of identity fraud last year, at a cost of \$49.3 billion. Incredibly, family members, friends, relatives, neighbors and people close to the victims account for approximately 53% of known identity thieves.

Contrary to popular belief that most Identity Theft occurs over the internet, your chances of suffering identity fraud from a lost or stolen wallet are more than three times greater than your chances of suffering fraud from an Internet hacker.

Unfortunately, Identity Theft is one of the most difficult crimes to resolve after it takes place. To protect Delawareans from this potentially devastating crime, Attorney General Biden and the the Delaware Department of Justice Consumer Protection Unit offer the following advice:

Guard your financial information

Never give out your social security number, credit card numbers, bank account numbers or any other personal or financial information to anyone you don't know. Guard all your receipts – especially if they reflect your financial account numbers. Photocopy the contents of your wallet and keep the copies in a safe place. This way, you'll have the information you need handy if your wallet is ever lost or stolen.

Deal only with reputable vendors

Avoid dealing with businesses you don't know, especially when you receive their offers by e-mail or through telephone calls from people you don't know. Identity thieves often pitch great deals to ensure that they lure their victims quickly.

Check your credit report

Evidence of Identity Theft often shows up before the victim even realizes what has happened. Criminals often attempt to obtain credit under other people's names or social security numbers, and these attempts show up on credit bureau reports.

Check your credit report at least once a year. Consumers can order a copy of their credit reports by contacting the three major credit bureaus listed to the right or by visiting www.annualcreditreport.com or calling (877) 322-8228.

If you feel uncomfortable about doing business with someone, or feel pressured to give up your confidential information, walk away. It is much better to take the time to think through an offer and to do more research, than it is to hand over your confidential personal or financial information to a criminal. Legitimate businesses want your repeat business, and will gladly give you time to do your homework first.



3 Major Credit Bureaus

Equifax
P.O. Box 740241
Atlanta, GA 30374
(800) 525-6285
www.equifax.com

Experian
P.O. Box 9532
Allen, TX 75013
(888) 397-3742
www.experian.com

TransUnion
P.O. Box 6790
Fullerton, CA 92834
(800) 680-7289
www.transunion.com

What to do if you suspect Identity Theft

1 Contact the police

The first step you need to take is to report the fraud to your local police department. This step is important for two reasons: First, it immediately alerts local law enforcement to the crime. Second, it establishes that you acted diligently and enables you to get a police report, complaint number, or other similar record you may need when contacting creditors.

If you are not sure which law enforcement agency to contact, call the Delaware Department of Justice at (800) 220-5424. The Consumer Protection Unit can direct you to the proper police agency and answer any other questions you may have.

2 Promptly report the fraud to the three major credit bureaus

Because identity thieves often attempt to obtain credit under their victims' identities, it is important to promptly contact the three major credit bureaus to report the fraud.

Ask each credit bureau to take a report, and to place a "fraud alert" on your credit report. Also, ask each credit bureau to send you a copy of your credit report so that you can determine the extent of any unlawful credit activity that may have taken place using your identity.

If you already have a police report, file number or complaint number from your local law enforcement agency, give that information to the three major credit bureaus as well to help them investigate disputed accounts or other reports of fraud.

3 Contact the Fraud Department of each of your creditors and banks

Identify all of your credit cards, bank accounts and other creditor information (such as utilities, cable, etc.) and contact their fraud departments. Report the fraud to each creditor, even if your account with that creditor has not been directly affected by the Identity Theft, to ensure each creditor is aware of the potential for criminal activity. Ask each creditor to place a "fraud alert" on your account.

4 Report the fraud to the Federal Trade Commission

The Federal Trade Commission (FTC) maintains a confidential, national Identity Theft database, and may be able to assist in pursuing identity thieves through federal channels. The FTC may be reached at (800) 525-6285 or www.ftc.gov.

5 Contact the Consumer Protection Unit of the Delaware Department of Justice

Get quick access to the Department's Identity Theft Passport program and Credit Report Security Freeze. These tools can help you in the event that you become a victim of Identity Theft.

For more information call (800) 220-5424 or visit www.AttorneyGeneral.delaware.gov

For the Experienced Investor

Investing for the long term

How you can tell if an annuity is the right choice for your investment needs

Annuities have become increasingly popular investments in recent years. But, is an annuity the right investment for you?

The first step in making any investment decision is to fully inform yourself about the nature of the investment.

An annuity is a form of private insurance that insures against the loss of income in the later years of your life. It is a contract issued by an insurance company where, in return for your payment of a premium, the insurance company agrees to pay money to you on a periodic basis over time.

There are two phases to investing in an annuity:

During the first phase, which is referred to as the “accumulation phase,” the premium the investor pays to the insurance company is deposited into an account, which earns an income as time goes on.

During the second phase, or “payout phase,” the insurance company pays out of the account to the investor in accordance with the terms of the annuity agreement.

An annuity can be characterized in several ways. For example, it can be characterized as either a fixed or variable annuity.

A fixed annuity is an annuity that accumulates at a fixed rate of interest.

A variable annuity is an annuity that provides for the investment of the assets of the annuity into other securities (such as stocks, bonds, and often mutual funds) and, thus, the accumulation of income at a variable rate. The assets in a variable annuity account are typically allocated among several different kinds of investment options set up as subaccounts within the annuity account.

An annuity is a long-term investment suitable only for someone who will not need the investment funds for several years.

Next, an annuity may also be characterized as a single or multiple premium annuity.

With a single premium annuity, the annuity contract requires that the investor make, as the name suggests, a single premium payment upon opening an account.

With a multiple premium annuity, the annuity contract requires that the investor make multiple premium payments during the annuity’s accumulation phase.

Furthermore, an annuity can also be characterized as either “immediate” or “deferred.” An immediate annuity requires that the insurance company begin making distributions from the annuity account to the investor immediately upon payment of the premium.

With a deferred annuity, the insurance company’s obligation to make payments to the investor is deferred to a later date. There are several features to an annuity that may, depending upon an investor’s particular circumstances, make the annuity advantageous.

Most annuities, for example, offer a death benefit for a designated beneficiary. Additionally, an annuity will often offer long-term care insurance.

And, perhaps most important, the tax on income that accumulates in an annuity account is deferred until the money is actually distributed to the investor.

Before deciding to invest in an annuity, an investor should carefully consider all fees associated with it. The table to the right details some of the most common fees associated with an annuity contract.



In addition to carefully considering the fees associated with an annuity, an investor should consider whether an annuity is suitable to his or her particular situation and needs.

An annuity is a long-term investment that is generally suitable only for someone who will not need the invested funds for several years.

Also, funds invested in an annuity can be lost. If the funds are invested in a variable annuity and the underlying investments in the account lose value, the annuity itself may lose value.

Finally, an investment in an annuity is only as good as the insurance company that issues the annuity.

Always check the rating of the insurance company issuing the annuity. Learn more by calling the Delaware Insurance Commissioner's Office at (800) 282-2611 or visit www.delawareinsurance.gov/annuities/

The following is a list of some common fees in an annuity contract

1. Surrender Charge: Most annuity contracts have an early withdrawal fee that is referred to as a “surrender charge.” The IRS imposes a 10% penalty on any withdrawals made before the investor reaches the age of 59 ½.

2. Mortality and Expense Risk Charge: An insurer will likely charge a fee to cover the insurance risks of the annuity.

3. Administrative Fee: This may be assessed to cover the insurer’s record keeping and administrative expenses.

4. Miscellaneous Fees: An insurer may impose additional fees to cover any special features added to the contract, such as a stepped-up death benefit, long-term care insurance or a guaranteed minimum distribution.

For the Experienced Investor



Your broker and you

As with anything in life, when opening a brokerage account, it's important to start off on the right foot. The things that you do and don't do when opening a brokerage account can have a profound effect on the outcome of your investments. It's your money, and you've worked hard to earn and save it. So, make sure you protect it. When opening a brokerage account, keep in mind the following do's and don'ts.

Do's

1. If you're opening an account with a full-service broker, meet face-to-face with the broker to open your account.
2. Take careful notes of your discussions with your broker and memorialize any important aspects of your account by way of a letter to the broker.
3. Read carefully all documents that your broker gives you and make sure they are consistent with your wishes and needs.
4. Ask your broker to provide you with a copy of the final version of every form the broker prepares in connection with the opening of your account.
5. Keep every document you receive from your broker permanently.
6. Be careful when advising your broker about your investment objectives. What you say will guide your broker's decisions about the riskiness of the investment recommendations he or she makes.

An investment objective targeted at

“growth,” for example, will likely lead your broker to make riskier recommendations than he or she might make if your objective is “income.”

7. Do your own research for any investment your broker recommends.

8. Shop for a broker who will give you the best deal on commissions. The commissions that brokers charge can differ dramatically from broker to broker.

9. Make sure you understand any minimum balance requirements for your account and any maintenance fees that may apply if your account value falls below the minimum balance. Maintenance fees can affect the return on your account.

Visit
InvestorResourceCenter.org
 & www.sec.gov/investor
 for more information on
 managing your brokerage
 account.

Don'ts

1. When opening a brokerage account, you may be offered the option of adding a margin feature to your account. Margin allows you to borrow money from your brokerage firm to purchase securities. Don't agree to this unless you are willing to accept the following: (1) the risk that your broker will use the margin in your account to execute excessive trades; (2) interest charges may materially affect the returns on your investments; (3) the use of the securities in your account as collateral for the money that you're borrowing; and (4) the sale of securities from your account (possibly without notice to you) to ensure that your equity in the account is maintained at a level required by law.
2. When purchasing mutual fund shares for your account, don't assume Class B shares, which can be purchased without the payment of an up-front sales charge, are best for you.
3. There are other fees associated with owning Class B shares, a common type of mutual fund, that can materially affect the return on your investment,

and you have to do the math to make sure Class B shares make sense for you.

4. Everybody would like to see their money grow, but don't tell your broker that your investment objective is “growth” unless you're willing to have your money placed in riskier investment options. Be careful how you use the word “growth” around your broker. Your broker may see that as a green light to put your money into investments that are riskier than you might really want.

5. Don't give your broker the discretion to trade in your account without your approval unless you are willing to accept the risk that he or she will execute transactions that may not be in your best interest. If you take the risky step of giving your broker discretion, make sure you monitor the activity in your account carefully by closely reading your account statements as soon as you read them, and make sure that you direct your broker to send copies of your account statements to someone you trust (your lawyer or accountant, for example).

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