

Leapfrog the bottom feeders

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WELL, THE HEAT'S BEEN turned up on the issue of sales practices in the senior marketplace.

When I heard that U.S. Senate Special Committee on Aging was planning to hold hearings in September, shortly before the second annual Senior Summit, I expected the result would be a mix of downside risk and upside opportunity. I wasn't wrong.

Here's the downside that emerged: once again, the American public heard about seniors being victimized by some real lowlifes in the industry. And they heard it through the mainstream media, thanks to the spotlight trained on the issue by the Special Committee.

For example, at the committee hearing, Joseph Borg, Alabama Securities Commissioner and President of the North American Securities Administrators Association (NASAA), spoke of a Missouri man who lured seniors into free-lunch seminars, sold them \$1.3 million in investments, and then used all but \$12,000 to cover his personal credit card and country club bills.

Another advisor Borg mentioned — this time located in Colorado — defrauded at least 25 people, mainly seniors, of some \$600,000 in retirement savings, again using free seminars as bait.

A third advisor's story was particularly troubling. He, too, invited prospects for a free lunch session and claimed that, due to his skills, one of his clients was able to afford three vacations a year. He then told his seminar attendees that the same client, to show the depth of his gratitude, had invited him (the agent) and his family to accompany him on a vacation.

Turns out that the client extending the vacation invite was his own father.

As if the Senate Committee's disclosures weren't enough, hard on its heels came the

Senior Summit, an initiative sponsored by the SEC, FINRA, NASAA, and AARP. As has been well publicized by now, SEC and NASAA issued a joint report that came down hard against the use of “free lunch” seminars with prospective senior clients.

The Senior Summit received even wider media attention than the Senate's Special Committee on Aging's hearings. Once again, the industry reputation took it on the chin. Not only that, one of its major marketing platforms — seminars — are on even shakier ground than before, considering the number of related enforcement actions in recent months. So here are the opportunities:

First, now is a great time to recommit to ethics and integrity in everything you do. Review the ethics codes of the associations you belong to and get serious about complying with both the letter and spirit of the law.

Second, make sure your clients know your credentials are legitimate and your seminar materials are 100 percent appropriate and compliant with those who regulate your license.

Finally, talk to your clients about how your commitment to ethics truly differentiates you from the scavenging advisors that get all the negative press.

Yes, recent events in Washington were definitely unpleasant to watch. But now it's time to use them as leverage for springboarding your own practice to new heights. The time to leapfrog the bottom feeders is now.

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