



Will Power

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NO FREE LUNCH

An investigation by federal and state regulators of “free lunch” investment seminars aimed at seniors found high sales pitches masquerading as educational sessions, pervasive misleading claims for unsuitable financial products and fraud.

Regular readers of my column will note that for years I have warned those attending investment seminars that there is no such thing as a “free lunch”. Add to that “free breakfast” or “free dinner”. This was made evident by the Securities and Exchange Commission and the Financial Industry Regulatory Authority’s review of seven states, (including Florida) between April 2006 and June 2007. Among their findings:

- Advertisements for many of the free lunch seminars, often held at upscale hotels, restaurants and golf courses advertise that no products will be sold, when in fact, the seminars are actually sales presentations, pushing attendees to open new accounts and make investment decisions on the spot or in follow-up meetings with salespeople;
- Nearly 60% of the 110 investment firms and branch offices examined demonstrated no evidence over the supervision of employees running the seminars or reviewing seminar materials for truthfulness;
- Many of the seminars had exaggerated or misleading claims – such as “pay no taxes” or “immediately add \$10,000 to your net worth”.
- Recommendations for unsuitable investments were found in almost ¼ of the seminars;
- Thirteen percent showed instances of fraud, such as liquidating accounts without a customer’s knowledge and consent, or selling bogus investments.

These types of seminars run rampant on Sanibel and

across Lee County. Our population of wealthy retirees tempts the ranks of investment advisors to try and make their pitches for the investment strategy du jour. So how do you go about finding reputable investment advisors? Are all seminars run by hucksters trying to swindle you out of your hard earned money? Here are my suggestions:

1. If you choose to attend an investment seminar, do not provide personal information such as your net worth or what your financial portfolio consists of;
2. Before scheduling any follow-up appointments, do your homework. Ask your friends and neighbors if they have had any experience with the firm and whether that experience was favorable;
3. By all means ask local professionals such as attorneys and CPAs whether they have had any dealings with any particular investment firm. Attorneys and CPAs often have common clients with these firms and can tell you their impressions as to whether the firm is reputable, and how clients have fared with the firm;
4. Before launching into a new investment strategy, get a second opinion from another advisor who has no personal economic interest in advising you whether the strategy is sound or not.
5. Be cynical of investment firms from out of town that simply “swoop in” to make sales presentations. While there are some out of town advisors who are very good, be wary of those that might be beyond the reach of state regulators.

I hope that these tips help. If they don’t, at least I hope that you enjoyed the meal.

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