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NEWS RELEASE

For Immediate Release

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Survey Shows Many Idaho Residents are Easy Targets for Fraud, Abuse . . .

LACK OF FINANCIAL KNOWLEDGE CREATES DANGERS FOR INVESTORS
New National Survey Data Shows Only 18 Percent are Financially Knowledgeable;
Weak Knowledge Worsened by Failure to Plan, Check Out Brokers.

BOISE, IDAHO The Idaho Department of Finance warned today that new national survey data about investor knowledge and habits suggest that a substantial number of investors need to learn the basics, develop a financial plan, and start checking out financial professionals, such as brokers and financial planners. The alternative is that these investors will remain "sitting ducks" for investment fraud and abuse, Director Gavin Gee cautioned.

"We now know that only about one in five investors can be considered to be truly 'financially knowledgeable'," Gee said. "Very few have financial plans in place and even fewer take the time to contact this office in order to check on the disciplinary background of financial professionals. For investors in this state, I want to issue this urgent 'wake-up' call: if you are unaware of the basics and engage in careless behavior, you are openly courting victimization through investment fraud and abuse."

KEY SURVEY FINDINGS

Idaho today joined the Arlington-VA.-based Investor Protection Trust (IPT), in releasing the national findings of an "Investor Knowledge Survey" conducted for IPT by Princeton Survey Research Associates. The survey involved interviews with 1001 investors nationwide between January 16-28. Among the key findings were the following:

- Lack of knowledge. Less than a fifth (18 percent) of investors surveyed were able to score at the top of the knowledge scale.
- "No-Load" funds. Almost two-thirds (62 percent) of investors mistakenly believe that a "no-load" mutual fund involves no sales charges or other fees. While a "no-load" fund may not involve a front end sales commission, all mutual funds impose management and other fees.

- Diversification. Only half (51 percent) understand that the purpose of diversification is to reduce risk. Aside from ease and professional management, this is the basic rationale for mutual fund investing.
- Investor insurance. Just over half (55 percent) know that the Securities Investor Protection Corporation (SIPC) does not protect investments up to \$500,000 if the stock market goes down. SIPC provides such protection only when a brokerage firm goes out of business, not when an investor loses money in the course of the normal ups and downs of the marketplace.
- Bonds. Fewer than two in five (36 percent) know that when interest rates go up the prices of bonds usually go down. This is a fundamental concept in bond investing, which is relied upon heavily by some of the least sophisticated and most risk-averse investors.

Gee noted that the lack of investor knowledge in Idaho and the rest of the nation is greatly worsened by what IPT refers to as "inattentive investment behavior." Specifically, the new survey data found:

- Financial plans. Two-thirds of investors have never prepared a specific financial plan either on their own or with the assistance of a professional. Drawing up a financial plan is a fundamental cornerstone of handling money and preparing for the future, such as buying a house, funding the college education of children, and preparing for retirement.
- Checking out brokers. A shocking 88 percent of investors who have received advice from a financial professional have "never" looked into the disciplinary background of their broker or financial planner. The Idaho Department of Finance strongly recommends that investors always call to get such information before investing. For more information, call 208- 332-8004 or write to: Department of Finance, P.O. Box 83720, Boise, ID 83720-0031

WORKING TO RAISE FINANCIAL KNOWLEDGE

Gee commented: "My office is committed to working with IPT and others to raise the financial knowledge of state residents. This is particularly important in an era in which consumers are being forced to make more and more decisions about pensions and other critical financial matters. We have excellent information on hand to provide to citizens and organizations. We are also happy to appear before any group, classroom, or other public setting to discuss investment basics and how to prevent victimization through financial fraud and deception. The Idaho Department of Finance is here to serve the public and we hope to be called on to an even greater extent in the future."

ABOUT THE SURVEY

Princeton Survey Research Associates contacted a representative sample of 1,001 investors between January 16-28, 1996. Interviews were conducted nationwide by telephone. Those surveyed were identified to be financial decision makers with one or more of the following types of investments: bonds, mutual funds, commodities or other investment in futures, stocks in

individual companies, or pension or retirement plans for which they make the investment decisions.

The investment knowledge index is based on eight factual questions. Those achieving a total of seven or eight correct answers were considered to be financially knowledgeable. Of the total sample, only 18 percent achieved this status.

For results based on the total sample, it can be said with 95 percent confidence that the error attributable to sample and other random effects is plus or minus 4 percentage points. A copy of the questionnaire, annotated with results for the total sample, is included in the appendix of the survey report. That document is available by contacting Alexis Sweeney, Investor Protection Trust, 703-276-1116.

The three-year-old Investor Protection Trust is an independent, non-profit charity dedicated to providing investor education and enforcement services on behalf of state securities agencies. In the field of investor education, IPT's primary mission is to assist investors in making better-informed decisions.

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