



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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June 21, 2011

Via Electronic Mail

Elizabeth M. Murphy
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Release No. 34-64306; File No. 4-626; Comment Request on Existing Private and Public Efforts to Educate Investors

Dear Ms. Murphy:

The North American Securities Administrators Association, Inc. (NASAA)¹ appreciates the opportunity to comment on existing efforts to educate investors for the SEC's study regarding financial literacy among investors as mandated by Section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Investor Education Role of State Securities Regulators

State securities regulators recognized long ago that investor education is a key weapon in the fight against investment fraud. The NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the investor education efforts of our members. The Investor Education Section, along with a network of professionals from across the NASAA membership, is responsible for developing, delivering, coordinating, and supporting investor education initiatives that can be used by state securities regulators in their ongoing endeavor to improve the level of financial literacy in their jurisdictions.

The NASAA Investor Education Section is structured to maximize the development and delivery of our investor education programs. Two of the Section's four project groups develop new investor education resources. The Alerts and Advisories Project Group responds to emerging enforcement trends with timely investor alerts and advisories, and the Investor Outreach Project Group creates comprehensive new programs. The other two project groups connect investors, the NASAA membership, and our external partners in financial literacy with our new and existing investor education resources. The Online Outreach and Social Media Project Group is responsible for exploring opportunities to reach investors through innovative use of the Internet,

¹ NASAA is the association of all state, provincial and territorial securities regulators in North America. Its membership consists of the securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. Their core mission is protecting investors from fraud and abuse in the offer and sale of securities. Organized in 1919, NASAA is the oldest international organization devoted to investor protection.

multimedia applications, and social media, and the Promotion and Coordination Project Group leverages partnerships to reach core constituencies and elevate strong state-level investor education programs to national audiences.

Most state and provincial securities regulators have established investor education departments or divisions within their agencies. The result is an effective network of dedicated professionals delivering unbiased, relevant, and free investor education programming at the grassroots level. In 2009, NASAA members reached more than 250,000 investors through more than 1,800 investor education presentations. Our investor education professionals can be found at work in such venues as the classroom, the workplace, senior centers, military bases, and at trade and professional organization events.

Successful NASAA Investor Education Programs and Resources

NASAA has developed investor education materials on a continuum since developing an investor education program in the mid-1990s. NASAA and its members develop and deliver investor education to investors of all ages. A new program currently in development emphasizes the “whole family” approach to investor education. The forthcoming *Conversation Starters* program is designed to help families kick-start an ongoing dialogue about investing and connect them to the existing library of NASAA investor education programs and resources, which are specifically targeted for key investor demographic groups, the most prominent of which include seniors, adults, and youth.

Seniors: Fraud Prevention

Senior citizens are particularly vulnerable to fraud and financial abuse. NASAA aimed to combat rising investment fraud among seniors with the development of the *Senior Investor Resource Center*, an online clearinghouse of the senior-specific investor education materials developed by NASAA. The *Senior Investor Resource Center* includes a wealth of tips to help seniors protect their nest eggs, as well as information on two flagship programs produced in conjunction with partner organizations: the *Free Lunch Monitor* program and the *Elder Investment Fraud and Financial Exploitation* (EIFFE) program.

NASAA partnered with AARP on the *Free Lunch Monitor* program, which seeks to empower seniors to fight fraud. This national campaign is designed to monitor whether senior investors are being pressured into purchasing inappropriate or unsuitable investments such as equity indexed annuities when they attend a luncheon or dinner seminar promising financial advice. The *Free Lunch Monitor* program gives individuals an opportunity to fight back against unscrupulous promoters by attending these events and completing a “What to Listen for Checklist” that allows them to report questionable sales practices to state securities regulators.

NASAA also has developed partnerships with adult protective services workers and leading medical associations to increase awareness among doctors and medical professionals of elder financial abuse. The EIFFE program, funded by the Investor Protection Trust, educates professionals who provide front-line elder care about how to refer at-risk seniors to the appropriate authorities, whether it is to report investment fraud to securities regulators or suspected abuse to adult protective services workers. State securities regulators helped develop a pocket-sized guide for clinicians, which serves as a quick reference tool for medical practitioners outlining the red flags of investment fraud, tips for discussing financial capacity with senior

patients, and resources for reporting suspected abuse. NASAA also assisted in the development of an educational brochure for senior patients and their families highlighting ways to protect themselves from elder financial fraud and where to get help. Two Canadian provinces have adapted the materials for use in their jurisdictions. Twenty-four U.S. NASAA jurisdictions are developing continuing medical education (CME) classes that will allow medical professionals to meet CME requirements while receiving further instruction on how to detect and report suspected senior investment fraud in their patients.

Adults: Family, Workforce, and Retirement Issues

Several NASAA programs are designed to help working adults plan for a secure retirement and avoid fraud. The *Planning Your Retirement with Confidence* program helps prepare pre-retirees for the financial challenges they will face in retirement through workplace seminars that address the retirement planning needs of individuals at every stage of their working lives – early career, mid-career, near retirement, and retirement. NASAA also reaches out to working families through *United Against Investment Fraud* (UAIF). The UAIF resources and workplace presentations are designed for members of union and trade associations and have the support of the AFL-CIO and AFSCME.

For the growing ranks of adults sandwiched in between the financial demands of their children and aging parents, NASAA has developed the *Sandwich Generation* program. The program seeks to help these adults navigate college expenses and parental end-of-life care without sacrificing a comfortable retirement for themselves. The “Sandwich Generation: Caught in the Middle” packet contains information and resources on common types of investment scams, tips and checklists to help investors develop good financial habits, and suggestions on how to start talking to elderly family members and children about financial issues.

Women and military members often feel these financial pressures even more keenly. NASAA’s *Women in Transition* curriculum is designed to empower women to take control of their investments and plan for life’s transitions, including divorce, job loss, and sending children to college. In response to widespread fraud targeting military service members and their families, NASAA’s member in New Jersey created a fraud prevention guide tailored to the military called “A Salute to Smart Investing.” The 36-page guide acts as a one-stop resource for military members with information on safe investing, balancing risk and return, retirement planning, red flags of fraud, scams that target the military, and a listing of state securities regulators nationwide. NASAA members have distributed the guide to more than 150,000 military members across four branches of the military at installations around the world.

Visitors to the NASAA website will also find an interactive fraud quiz, developed in partnership with the Canadian Securities Administrators, to measure their ability to detect frauds and scams. A frequently updated library of investor alerts and advisories provides introductions to the risks and benefits of popular investment vehicles, including peer-to-peer lending, gold, derivatives, and variable annuities. Additional online resources include NASAA’s investor education podcast series, “The Alert Investor,” which currently features 12 episodes, and the “Investing Online Resource Center,” an online source for noncommercial information for investors interested in investing online.

Youth: Fighting Fraud and Building Education and Awareness through Technology

Teaching youth the principles of sound investing and fraud prevention is the thrust of NASAA's youth-oriented investor education programs. *FSI: Fraud Scene Investigator* is an interactive online investor education program that is designed to help high school students learn how to fight fraud firsthand – by delving into newspaper stock tables, researching companies through online news, and deciphering the truth of an investment from fraudulent sales pitches. NASAA's grassroots investor education network is working with teachers and administrators to integrate the FSI program into schools across the nation.

In 2010, the NASAA Investor Education Section developed a new activity for middle school students, the *Live "Stock" Adventure*. The Adventure not only gets students thinking about concepts like diversification, risk tolerance, and long-term goals, but it also offers teachers a creative way to reinforce grade-level math skills. The card-based Adventure simulates realistic scenarios that could impact the value of animal "stocks" in the students' portfolios. The students calculate their earnings and losses on student ledgers and exchange tracker worksheets that are available for free download from the NASAA website. Twelve jurisdictions provide free customized playing cards for teachers.

Highlights of Successful State and Provincial Investor Education Programs

NASAA members have developed a wide array of specialized community outreach programs to educate investors in their jurisdictions and counter investment fraud. For example, the California Department of Corporations developed the *Seniors Against Investment Fraud (SAIF) Program*, a statewide outreach campaign designed to alert and educate Californians over the age of 50 about investment fraud and unscrupulous sales practices that target seniors. The SAIF program has been disseminating the fraud prevention message to seniors through seminars, presentations, and a publication since July 2001. The SAIF program has been implemented by nearly every state securities regulator as a foundation of their senior investor outreach.

It is common practice for state securities regulators to take advantage of the media attention and public interest surrounding their enforcement actions to reach consumers with a prevention message. The "Investigate Before You Invest" investor education theme is frequently prominent in state press releases announcing enforcement actions. By approaching enforcement cases as teachable moments, states securities regulators regularly reinforce the notion that investors should check out the background of investment promoters and verify the registration status of investments before parting with their money.

Partnerships: Local and International Alliances

At the local level, where NASAA members are most effective and accessible to retail investors, state securities regulators work cooperatively with local partners in the fight against investment fraud. State investor education coordinators utilize NASAA's "Securities Law 101" continuing education curriculum to familiarize state and local law enforcement officers, including sheriffs, district attorneys, and others, with state securities law and common types of securities products, sales practices, and scams.

While much of NASAA's investor education takes place in local communities, NASAA benefits from the international scope of the association, enriching U.S. investor education programs with

ideas from Canadian member agencies. NASAA members in the Canadian provinces have pioneered the use of social media and new technologies in their investor education outreach. NASAA encourages the SEC to visit the website of the Canadian Securities Administrators, the umbrella organization for provincial securities regulators, to explore the investor education resources available to Canadian investors. Many key investor education themes are applicable across national borders.

In addition to partnering with other organizations on specific investor education programs, NASAA supports the ongoing work of several national groups dedicated to financial literacy. NASAA annually joins the Consumer Federation of America as a partner in their “America Saves Week” campaign, bringing a fraud prevention and investor protection focus to the national savings initiative. Numerous state regulators annually present investor education programs and provide investor education materials to military members and families for the national “Military Saves Week.” On a regular basis, our members work with the American Savings Education Council (ASEC), the Councils for Economic Education, and are involved in state-level Jump\$tart coalitions. NASAA actively participates with the U.S. Treasury Department’s Financial Literacy and Education Commission at roundtables, summits, and conferences that have brought individuals and organizations together to discuss ideas and outreach. NASAA also values the opportunity to work collaboratively with the SEC and FINRA on investor education outreach efforts, including joint investor alerts. The NASAA network of financial education professionals can be an excellent delivery vehicle for state/federal collaborative education programs.

Conclusion

NASAA believes that effective investor education is delivered by highly trained, unbiased, non-commercial experts in financial services, products, and fraud prevention who live and work in the communities they serve. State securities regulators have traditionally been and remain an extremely effective resource in the pursuit of greater investor literacy. NASAA’s members form a nationwide network of experts on the front lines of financial education initiatives in every state, translating Wall Street to Main Street for small investors throughout the country.

We thank the SEC for the opportunity to highlight the investor education work being done by NASAA and the states, and we welcome further questions and ongoing dialogue about effective strategies to help investors invest safely and avoid fraud. Please contact Daphne Smith, Chair of the NASAA Investor Education Section and Tennessee Assistant Commissioner for Securities, at Daphne.D.Smith@tn.gov for more information.

Sincerely,

A handwritten signature in black ink that reads "David Massey". The signature is fluid and cursive, with a long horizontal flourish at the bottom.

David Massey
NASAA President
North Carolina Deputy Securities Administrator