

# Investor Education and Assistance

## Overview

*“We passionately believe in the importance of educating all Americans so that they have the tools they need to make effective investment decisions. Effective investor education can help all Americans become better positioned to achieve personal financial security and reach their savings and investing goals.”*

Susan Ferris Wyderko, Director  
Office of Investor Education  
and Assistance

43 staff in the Office of Investor Education and Assistance and the regional and district offices:

- Received and handled 70,574 contacts from investors, providing individually tailored responses to questions and facilitating the resolution of investor complaints.
- Launched investor education initiatives and participated in dozens of educational events across the country, including seminars on investing, talks in public libraries, and panel discussions.

## Key Results

Issue	Result
Hedge Funds	We created a fake hedge fund website—Guaranteed Returns Diversified, Inc. (GRDI or “greedy”)—that educates investors about hedge funds and provides tips on how to avoid on-line fraud.

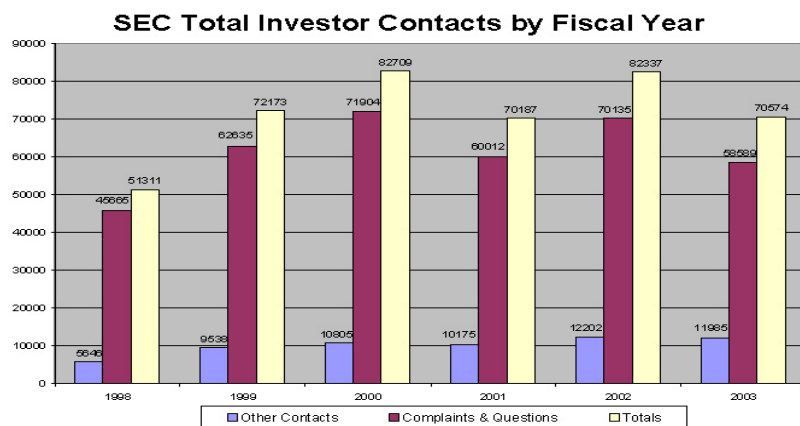
Issue	Result
Bankruptcy Media Campaign	We worked with media outlets and a national quotation service to warn investors about the dangers of investing in bankrupt companies.
Investor Outreach Through Public Libraries	We launched a new initiative to reach individual investors on a grass-roots level by working with public libraries nationwide.

Main Activities	Fiscal 2003	Fiscal 2002	% Change
Investor Complaints and Questions	70,574	82,337	-14%

## Complaint Trends

During the year, the SEC's investor assistance staff received 70,574 complaints and questions, a 14% decrease compared with fiscal year 2002. Nearly 40% of these contacts involved telephone

calls, a 5-point increase over last year. Approximately 42% came in electronically through our on-line investor complaint form or email, and the remainder included letters, faxes, and personal visits.



“Other contacts” includes repeat contacts, contacts with insufficient information to process, and contacts not within our jurisdiction.

Although complaints in most categories significantly declined during 2003, complaints concerning commissions and administrative fees rose by approximately 7% over

2002. In addition, complaints concerning corporate bankruptcy increased by 8%, entering our “top ten” list for the first time.

The ten most common complaints we received

during 2003 included:

	<b>Complaint Type</b>	<b>FY 2003 Totals*</b>	<b>FY 2002 Totals*</b>	<b>Change</b>
1	Misrepresentations	1,502	1,698	Down 12%
2	Fees, commissions, and administrative costs	1,428	1,331	Up 7%
3	Unsuitable recommendations	917	1,002	Down 8%
4	Transfer of account problems	840	1,031	Down 19%
5	Unauthorized transactions	837	990	Down 15%
6	Failure to follow customer's instructions	668	858	Down 22%
7	Failures to process/delays in executing orders	582	733	Down 21%
8	Bankruptcy	458	424	Up 8%
9	Errors/omissions in account records	436	580	Down 25%
10	Cold calling	431	429	N/A

\* During 2003, we changed to a new data recording system that includes secondary as well as primary complaint codes in our totals. For that reason, our 2002 totals appear higher than previously reported in our 2002 Annual Report.

As in years past, we received substantially more complaints about broker-dealers than any other type of entity (including issuers,

mutual fund companies, and transfer agents). The top five complaints against broker-dealers involved:

	<b>Complaints Against Broker-Dealers Only</b>	<b>FY 2003 Totals*</b>	<b>FY 2002 Totals*</b>	<b>Change</b>
1	Fees, commissions, and administrative costs	1,251	1,159	Up 8%
2	Misrepresentations	997	1,119	Down 11%
3	Unsuitable recommendations	791	845	Down 6%
4	Unauthorized transactions	687	857	Down 20%
5	Transfer of account problems	674	801	Down 16%

## Educational Campaigns

During 2003, we focused our educational resources on launching the following investor education campaigns:

- **Corporate Bankruptcy** — During 2003, we received numerous complaints from investors who purchased stock in bankrupt companies under the mistaken belief that the stock price would rise when the company emerged from bankruptcy. In each case, however, the company had announced in its plan of reorganization its intention to cancel its existing common stock and to issue *new* stock. We substantially revised our “Corporate Bankruptcy” brochure and partnered with a national quotation service to alert investors about the dangers of investing in bankrupt companies. This campaign received widespread media attention, including articles in mainstream financial magazines and nationally syndicated columns as well as interviews on business television programs and coverage on national nightly news shows.
  - **Hedge Funds** — During 2003, our markets witnessed a burgeoning interest in retail investment in hedge funds and funds of hedge funds. To alert investors to the potential risks of investing in these products, we coordinated with the National Association of Securities Dealers (NASD)
- to develop and distribute educational materials, including “Hedging Your Bets: A Heads Up on Hedge Funds and Funds of Hedge Funds.” In addition, as part of our ongoing effort to combat Internet fraud, we created a replica of a typical hedge fund scam site with a non-government URL. The website aims to reach individuals who tend to fall for on-line scams as well as those who do not frequent the SEC’s website. Investors who click on the “invest now” link reach a page that warns: “If you responded to an investment idea like this, you could get scammed.” The page also gives tips on how to spot potential frauds and provides links to key regulators.
- **Understanding Your Investments** — We issued a series of new investor publications that aim to give investors the tools they need to research their investments, assess their asset allocation, and better understand their investment choices. These include “Executive Compensation: A Guide for Investors, Information Matters,” and “Taking Stock: Getting Your Fiscal Act Together.” We also substantially revised “Invest Wisely: An Introduction to Mutual Funds and Mutual Fund Breakpoints.”
- During the spring of 2003, we expanded our efforts to reach

individual investors at the grass-roots level. Specifically, we launched a new initiative to educate public librarians about investor resources on the SEC's website and to use local libraries as nationwide distribution channels for our educational materials. We also executed a Memorandum of Understanding with the

U.S. Department of Defense to support DOD's efforts to promote financial literacy among members of the armed services and their families. In addition, throughout the year, numerous senior SEC officials participated in dozens of educational events, including programs targeted toward the elderly and minorities.

## Outlook for 2004

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Our key objectives are to:

- Continue to provide investors with prompt, accurate responses to their questions and complaints, using technology to improve our response time.
- Analyze our complaint data on a regular basis to spot trends and to shape and target our investor education campaigns.

Planned initiatives already underway include outreach efforts to combat affinity fraud, a joint project with NASD, the Securities Industry Association, and the Investment Company Institute to educate investors about mutual fund breakpoints and the launch of additional fake scam websites, including a fake Internet investment newsletter.