



## NOVEMBER 2010 NEWSLETTER

[www.rmchapter.org](http://www.rmchapter.org) for more info

### *From the editor...*

Your chapter is working hard to bring you the best in investor education and support. The investment world is fraught with danger for the ill-informed and poorly prepared. Don't let yourself fall in those two categories. Attend our low cost classes and special seminars, request a free club visit by a chapter director, attend our Spring and Fall EduFests, get a club portfolio review, and read our monthly emailed newsletter and annual US mailed newsletter. Stay in touch and stay aware.

### **NOVEMBER EVENTS**

- > **StockTalk: November 6<sup>th</sup>, 9am to 10:30am**
- > **Advanced ToolKit: November 13<sup>th</sup>, 9am to Noon**
- > **NEW (FREE): ToolKit Computer Lab, November 13<sup>th</sup>, 1pm to 3pm**

### **DANGER: INVESTOR FRAUD!**

Better-Investing and FINRA (Financial Industry Regulatory Authority) are partnering together as a resource for organizations and individuals working to protect citizens from financial fraud through education. FINRA developed a research-based educational program in collaboration with AARP, state securities regulators and noted fraud experts to arm investors with the tools and knowledge needed to recognize and prevent investment fraud.

**BetterInvesting will be the “boots on the ground” organizing and making the presentations.**

The current financial crisis has not only battered the portfolios of many investors, it has also placed a spotlight on investment fraud. In turbulent economic times, ongoing schemes tend to unravel as wary investors begin demanding their cash. And the opportunity for new fraud can rise as fraudsters look for any hooks to exploit those who hope to recover their losses.

The FINRA video program shows examples of real fraud victims so we can learn from their stories. The program will cover:

- \* Avoiding Investment Scams
- \* Types of Investment Scams
- \* Psychology of a Scam
- \* Red Flags of Fraud
- \* Who Gets Victimized?
- \* How Can I Protect Myself?

The face of investment fraud? Investors ages 55 to 65 are an investment fraudster's prime target. Surprisingly, research funded by FINRA found that typical fraud victims tend to fit the following description:

- \* Males, ages 55-65
- \* Self-reliant decision makers
- \* Optimistic
- \* Above-average financial knowledge
- \* Above-average income
- \* College-educated
- \* Experienced a recent health or financial setback
- \* Open to listening to new ideas or sales pitches

A majority of older investors do not perceive themselves as vulnerable to

investment fraud. yet many of the reported investment behaviors put them at risk.

Would your investment club, church group or any other association like to have a program presentation on, "Tricks of the Trade: OUTSMARTING Investment Fraud?" If so email us at [contact@rockymtn.betterinvesting.net](mailto:contact@rockymtn.betterinvesting.net) . Put "Investment Fraud" in the subject line. We will work with you to arrange a meeting date with your group.

### **TALES FROM THE BRIGHT SIDE**

Not only do you have great support from your chapter and the national BetterInvesting organization, but you also have support from BI subsidiary ICLUBcentral. Its president, Doug Gerlach, and other expert instructors give a series of free online webinars. They walk you through popular BI investment tools like ToolKit and demonstrate how to best utilize them. Instructors are available after the sessions to answer questions from the audience. Space is limited, so sign up quickly! View the current schedule and the archive of past webinars available on demand at:

[www.iclub.com/clubs/webinar\\_information.asp](http://www.iclub.com/clubs/webinar_information.asp)

Now webinars are not everyone's cup of tea. Many want the personal attention of a live instructor and the "hands on" use of a computer while being taken through software such as ToolKit "click by click". So there is still need for the chapter's ToolKit classes. But the ICLUB webinars are a great supplement and should be utilized.

### **DON'T BE SHORT SIGHTED**

In the new science of behavioral finance, myopic behavior is defined as being biased by recent events while discounting past events. We see this in

*myopic loss aversion* where an investor panics upon experiencing short term market downturns instead of focussing on the longer term trends. We know that the market behaves like a manic-depressive in the short term, swinging from euphoria (bubbles) to depression (crashes) but rationally prices stocks in line with earnings growth long term. As investors, we should focus on the long term earnings trend of a company and worry about short term events only if the longer term trend is threatened.

Myopic bias is showing up right now in projected growth trends. We tend to listen to the pundits on TV and see the poor market performance of the last several years and simply assume that the condition is permanent. Have you noticed of late how shy Value Line analysts have become in projecting growth? Morningstar too. Despite historical earnings growth of a great company, analysts are taking an extremely timid stance in predicting future growth. This bias reflects the short-sighted reaction to the recent severe recession. Sure, overall growth may be slow for a while, but even a recession as deep as this one won't last forever. Meanwhile, don't neglect dividends. It's nice to be paid while waiting for the recovery.

### **CLUB MEETING VIA THE INTERNET**

The chapter is beginning a program of renting its GoToMeeting software to clubs for their meetings. We offer a free trial for a single meeting. Subsequent meeting rentals will be \$15. If you're interested in testing this new concept, email us at

[contact@rockymtn.betterinvesting.net](mailto:contact@rockymtn.betterinvesting.net)

We'll work with you to set up a test meeting.