



Citizens accused of unethical conduct...

"Then you should say what you mean," the March Hare went on. "I do," Alice hastily replied; "at least--at least I mean what I say--that's the same thing, you know."

"Not the same thing a bit!" said the Hatter. "You might just as well say that "I see what I eat" is the same thing as "I eat what I see!"" From: Alice's Adventures in Wonderland by Lewis Carroll

What they said

From the Citizens Bank Website 3/14/2005 (www.citizensbank.com/investing/cims/individuals/invest_ret_plan_svcs.asp)

"Retirement Plan Services

You've worked hard to achieve financial success. At Citizens Investment Management Services we can help you maintain your current lifestyle throughout your retirement. Our team of professionals is single-mindedly focused on your financial well being. We take the time to listen to your wishes. We learn about your individual situation and your concerns

Your retirement services team will customize an investment solution for you that will consider income generation, savings, business-related asset management, plus growth and succession strategies."

What they meant

From the Boston Globe, February 11, 2005 Page E11

State Hits Citizens Unit

"Massachusetts Secretary of State William F. Galvin, in an administrative complaint filed yesterday, accused CCO Investment Services Corp (Citizens Financial Group's investment unit) of "unethical or dishonest conduct" for "systematically targeting customers, including many senior citizens" to put their money in variable annuities, which can carry higher fees, greater risks and sometimes steep penalties for withdrawing funds early.

Galvin said he suspects the sales tactics in question are practiced more widely within Citizens. "We do believe it's systemic to the company", said Galvin. He said the bank had "Blitz Days" or "Cold Calling Nights", during which tellers would help Citizens investment consultants identify likely customers, sometimes scouring lists for bank customers whose CD's were about to expire. Citizens also has a program called "Ex\$ell" in which bank personnel received points towards a bonus for "qualified referrals" of customers to company investment consultants

The complaint referenced one 80 year old client of Citizens financial consultant Todd R. Nash who sold his home and needed the money immediately to move into an assisted living facility. The complaint alleges Nash sold him a variable annuity and that the man was forced to pay a 7% surrender fee when he later liquidated the annuity to pay for his assisted living. "



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Citizens said they were “single-mindedly focused on your financial well being”; what they apparently meant was they wanted to sell you what was most financially rewarding for Citizens and its salespeople. The conflict of interest only hurt the individuals who trustingly handed over their money, like the unfortunate 80 years old referenced in the Massachusetts complaint.

We don't suggest for a second that Citizens is alone in this sort of misdirection. People who work for Citizens or any other financial services company are paid by that company; their livelihood depends on meeting company goals and objectives. Pick up a copy of Smart Money or other popular investment magazines, examine the ads on TV shows or read any newspaper. Companies in the money business - banks, broker dealers, insurance companies, mutual funds- all want you to believe they are only concerned with your well-being and financial success and are not really in the business they are:

- Banks make loans and invest in businesses
- Broker dealers buy and sell securities
- Insurance companies sell insurance policies
- Mutual funds sell their funds

A tsunami of Boomer retirement funds is just starting to wash up on the shores of America. Trillions of dollars will be rolled out of company retirement plans by newly retired employees and into individual IRA or annuity (*usually not a good idea!*) accounts in the coming decades. The big players in the money business want to get their share of the harvest and as long as their interests are not too divergent from your interests, that's fine. The problems arise when those interests do diverge – when, as the Mad Hatter says, what they say is not the same as what they mean.

What can you do? As the title of this monthly series says – **“Who can you trust?”**

We suggest that a big part of the answer is to only work with people and companies whose interests really are the same as yours. You need an advisor who will cut through the jargon and confusion and will sit on your side of the table. The first step is to find a qualified and experienced financial advisor who is truly independent, who doesn't work for Big Insurance or Big Bank, etc. Yes, they will get paid for their services, preferably directly by you as a fee, but if as a commission on products they sell you, then with full and upfront disclosure as to terms and amounts. You should always know what it is costing you for the advise and service you have decided you need to help you achieve your life-goals.

At Northstar, as Fee-Only financial planners and investment advisors, we always clearly spell out for our clients exactly what fee they will be paying for our services. Make sure you demand that same information from your advisor. After all, as Citizens says in their website ad: “You've worked hard to achieve financial success.” Getting bad advice or having your advisor put his interests before yours can make a serious dent in reaping the benefits of that success.