So, in most cases, the higher the risk, the higher the commission.

Just because a broker calls himself a "financial analyst" or "investment consultant" does not mean that he or she provides objective financial advice. Don't confuse a sales pitch with impartial advice that is suited to your particular goals, risk tolerance, and current assets. Be wary of brokers who seem overly eager to put you into an in-house mutual fund, or in exotic investments you have never heard of before. Ask the broker if he or she will receive any extra commission or other incentives (such as a prize or a trip) for selling you a certain product.

Exercise particular caution when buying uninsured investments on the premises of a bank.

Although a bank may provide you with more convenience and be less intimidating than a brokerage firm, it does not provide you with any more assurance against the possible loss of principal in an uninsured investment. In fact, the brokerage firms affiliated with banks sometimes offer only a limited range of investment options, and may be prone to pushing their own products.

Make sure you fully understand your account statements.

Your account statement should reflect only the pattern of investing that you have authorized. If you note a discrepancy, raise the problem immediately with your broker and, if necessary, the branch manager who supervises the broker.

Review your account statement with an eye to how your investments have performed and how much they are costing you in terms of commissions and fees. Since you are unlikely to find this information on your account statement, contact your financial professional and ask him or her to calculate the figures for you, and have the results provided to you in writing. Do not work with a financial professional who is unwilling or who claims to be unable to provide this information.

Ask questions about the meaning of unfamiliar terms and abbreviations that appear on your account statement. An investment professional who is unwilling to take the time to answer your questions is someone to whom you probably do not want to be entrusting your life savings. The account statement is your primary tool as an investor for policing your investments, so make sure to take full advantage of it.

Never be afraid to ask questions at any stage of the investment process.

You are the person in control of your money, even if you hire an expert to help you manage it. Don't sign over discretion for your account to your broker, as his or her idea of a "good trade" may not be in your best interest. You have every right to ask a financial professional why he or she is making a certain recommendation to you, what the alternatives are, what the risks are, and how much he or she will be paid for the transaction. If you are uncertain about a product, or what is being told to you, ask questions until you understand. If someone tries to assure you by stating that the uninsured investment is as safe as "the money in your pocket," it is time to walk out the door...while your money still is in your pocket!

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Tips for Older Investors

How to Take Charge of Your Money

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Older investors cannot leave the fate of their retirement nest eggs to chance. There is always some element of uncertainty in investing, but when the money at stake represents a lifetime of savings or a lump sum pension payment–money that is crucial for retirement and cannot be recaptured–taking undue risk may spell disaster. Unfortunately, it can sometimes be difficult for older investors to know when the risk is too great, or if they are being misled into investing in a product that is unsuitable for their needs.

There are a number of practices in the legitimate investment industry that pose serious problems for the millions of older investors who rely on investment income to make ends meet. Even if substantial reforms are adopted by the industry and regulators to correct these problem practices, older investors must still get actively involved in overseeing their investments. Following are some tips older investors can use to take charge of their money.

Map out your financial goals before you meet with a financial planner, broker, investment adviser, or any other investment professional.

Going to the experts in certain instances will help you decide how to invest your savings, but you should first have a firm grasp of your short and long-term goals and needs. How much income will you need to meet fixed expenses apart from any pension or Social Security income? Do you have children or grandchildren to educate? Are your elderly parents in need of care? How is your own health? You need to determine your own budget needs and your ability to tolerate risk first, and then decide what kinds of investments would best fulfill these goals.

This also means you should take time to understand the various investment products you may be considering. If you receive a lump sum pension payment or an early retirement payout, you may feel pressure to invest it quickly in order to avoid adverse tax consequences. Sound investing requires careful consideration. If you need time to fully explore your options, put the funds in a money market account and then invest once you feel ready to do so. Otherwise, you may be susceptible to high pressure sales tactics of those who will "take care of your problems for you." A quick fix is not the answer in this situation. Your money is too important to lose!

Know your investment professional.

The first step in dealing with an investment professional is to check him or her out with the securities division of your state's government. The telephone number of the Massachusetts Securities Division is (617) 727-3548 or (800) 269-5428 (office hours: 8:45am-5:00pm). You should avoid doing business with financial professionals who have a record of state, federal, and self-regulatory disciplinary actions, negative arbitration decisions, and civil litigation judgments.

Always take time to interview two or three investment professionals before settling on one who seems to understand your needs. Don't assume that a broker who sells investments on the premises of a bank is part of the bank, or is selling products protected by FDIC insurance.

Recognize that a broker who calls himself or herself a "financial consultant" or "investment counselor" does not necessarily have any extra training or expertise other than that of selling stocks and bonds. If you are working with an investment adviser, ask to see both parts of their Form ADV. They are required to give you Part II or a similar document which sets out their method of compensation, education, areas of expertise, investment strategies, business methods, and the like. Part I can also be helpful, as it provides you with their disciplinary history, which could raise important red flags. It is also a good idea to contact your state securities agency to see if it has any information on the individual.

Understand your investment.

Focus on the whole range of the investment's characteristics in your decision-making, not simply on promises of a high return. Before you purchase an investment, you should understand the cost, degree and nature of the risks, investment goals (e.g., income with a high degree of safety), performance history, and any special fees associated with the investment. Never assume that your investment is federally insured, low risk, or guaranteed to deliver a certain return. You should not rely on oral statements for assurance–get it in writing, and make sure you understand the information you are given. Once you have that information, check it against your own goals and risk tolerance to see if the recommended type of investment is a good fit.

The most detailed source of information on an investment product is the prospectus (or similar offering document). Unfortunately, most prospectuses are too long and too technical for anyone other than a sophisticated investor to comprehend. However, you don't have to read every word to understand the nature and risk of the investment. Pick out the essential information provided in the document to determine if the product is right for you. For a mutual fund, for example, make sure you get answers to the following:

- What are the fund's goals and investment strategies?
- What are the fees and other costs involved, and how do they compare to comparable funds?
- How are the costs determined?
- What is the fund's performance and management history? How does it compare with similar funds?
- What are the risks involved with each of the investments in a bond or equity mutual fund? How does it stack up with comparable funds?
- Are derivatives part of the fund? If so, are they used for hedging or speculating?
- Who makes investment decisions for the fund?
- Who can you call for more information?

These are just some of the questions to ask about a mutual fund. Your local library is a good source for publications on investing. For example, the research firm Morningstar publishes detailed analyses of investment products. The securities division in your state and the Securities and Exchange Commission also have brochures providing information about investments.

Understand how your financial professional is making money by selling an investment.

If you want truly objective advice, you have to be prepared to pay for it. A fee-only financial planner will charge you a certain amount up front, but does not earn income based upon what recommendations he or she makes to you. However, brokers and most financial planners are paid through commissions, which means they get a percentage of the money you allocate toward a particular investment.

For example, if you give them $5,000 to invest in a mutual fund, their commission may be 4 percent, or $200, making your actual investment in the fund $4800. When the commission is deducted from your investment, you lose not only that money, but also the investment income it would have earned over time. A good rule of thumb: the amount of the commission varies by the type of product, and the risk associated with the product.