The Active Consumer

Tips For Avoiding Early Retirement Scams

(NAPSA)—Analysts say the earlier you plan to retire, the more important it is to manage your retirement assets wisely.

Unfortunately, some financial "experts" tout early retirement schemes that promise more than they can deliver.

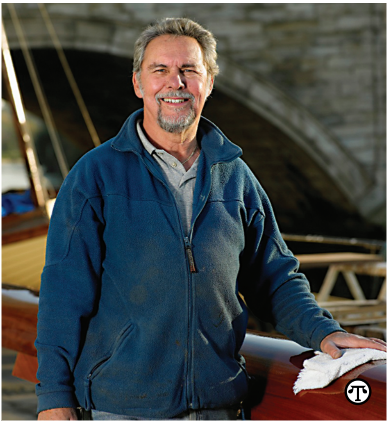
Employees of four major corporations found this out the hard way when they were encouraged to invest in securities that carried substantial risk and high fees. They were led to believe their investments would generate returns far higher than historical averages, according to enforcement actions brought by the Financial Industry Regulatory Authority (FINRA), the largest nongovernmental securities regulator. The overly optimistic rates of return and aggressive withdrawal levels proved unrealistic and unachievable. Employees lost a significant portion of their retirement nest eggs.

Experts caution people to not let the promise of easy money lure them into an early retirement they weren't otherwise considering. Before falling for a pitch that could wipe out your retirement savings, follow these tips:

• Be skeptical of "free meal" seminars. Even if an event takes place at or near the workplace, don't assume that your employer is behind it.

• Be wary of early retirement pitches based on "little-known" loopholes. For example, IRS Section 72(t) may be a way to access your retirement funds before age 59½, but there is more to a successful early retirement than avoiding tax penalties.

• Determine your willingness to live with an unpredictable amount of retirement funds. A company pension—which may offer steady and predictable payments—is quite different from relying on investments with fluctuating values.



It could pay to learn the signs of early retirement scams.

• Know your current plan. Many employers allow former employees to leave their 401(k) assets in the company's plan. Staying put may be a sound and less costly option.

• Understand the tax bite. Before quitting and cashing in a 401(k), do the math. Even if you avoid the 10 percent early withdrawal tax penalty, you won't be able to spend every penny.

• Check the speaker's credentials at any seminar you attend. You can use FINRA BrokerCheck at www.finra.org/brokercheck, or call (800) 289-9999 to determine if the person offering you investments is registered with FINRA, which regulates brokers. Look for any red flags raised by employment or disciplinary history. To check out an investment adviser, use the Securities and Exchange Commission's Investment Adviser Registration Depository (IARD).