



Saskatchewan
Financial Services
Commission

Beware of Promises of High Return in a Low Interest Rate Market.

For a number of years now Canada has been in a time of low interest rates within the financial markets. These low rates of return not only apply to savings and borrowing but also to investments. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) is quite concerned about the number of incidents being reported to their enforcement branch where investors suffered substantial losses after they were convinced to move or invest in “high rate of return” products from their existing, safer low return investments. In the majority of these complaints, unscrupulous individuals convinced investors that the risk associated to the higher return products was minimal if not non-existent.

FCAA is concerned that individuals who are planning on retiring, retired, or are dependant on fixed income investments may be tempted to move away from slower growing safe investments to alternative investments without understanding the risks and dangers. All investments carry a degree of risk and the level of that risk is normally related to the expected return. Higher yields generally carry a higher risk; lower risks equate to lower returns.

A very common sales pitch being given to pending retirement aged investors is that; “the clock is winding down on the time for you to build up your retirement funds, and at the presently low interest rates, you will fall short of money to retire on. To ensure that you will be able to live a comfortable retirement, you need to make more money NOW!” Very often the offer carries a warning of urgency and this opportunity is only available for a very short time. This convincing argument often results in investors leaping at the offer being presented without fully investigating the investment and the salesperson. More times than not, this action will end with your entire retirement fund lost, and as stated by a victim of one of these scams, “I thought I was set for a very comfortable retirement, I lost so much money that now I have gone from caviar to cat food”.

The FCAA reminds investors to consider the following when making any investment decision:

Get as much written information about the investment as you can and be sure that you take the time you need to understand what you are getting into. Ask questions if the information is unclear, and get opinions from persons who are independent from the person trying to sell you the investment such as your professional advisor, banker, accountant, lawyer, trusted friend or family member.

Is the rate of return realistic? If everyone else is offering 3% why is this person able to offer 9 or 12 or in some cases 25%?

Is this salesperson registered to sell investments in Saskatchewan and is this investment qualified to be sold in the province. Call the FCAA to check. Go on the internet to see if there are previous problems with the company or person selling. Remember just because there is a



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website does not make the investment or the offering legitimate. Many scams have very professional looking websites create to mislead investors.

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