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Investor Alert: Securities regulators warn of investments that encourage you to unlock your retirement savings

Vancouver – The British Columbia Securities Commission and the Manitoba Securities Commission want people to be aware of questionable investments that advise people to withdraw funds from their registered retirement savings plans and reinvest in unrelated securities.

Recognize “unlocking” investment schemes

Generally, these schemes involve investing in the shares or units of a public or private company (sometimes through a private placement that the company sells to investors by way of an offering memorandum) or debt instruments of some kind, such as bonds, promissory notes and mortgages. However, the common feature of all of these schemes is the promise that you can immediately access a portion of the cash value of your RRSP, RRIF, LIRA, LRSP, or other locked-in retirement savings or income plan without paying taxes. In addition, these schemes sometimes promise excellent returns on the remaining investment or significant tax benefits.

Promoters, or their agents, may advise you to move your retirement funds into a self-directed account, in order to conceal the unlocking transfer from your financial institution or adviser. Once you are in a self-directed account, you have control over your funds and the promoter will provide you with instructions on what to buy.

Individuals or companies that promote these investment schemes package them in a variety of ways, but, in the end, they all have the same effect – you suffer significant investment losses, on top of serious tax and pension repercussions.

Watch out for these common characteristics

Investors should be wary about any advice to withdraw funds from their locked-in retirement savings accounts. These types of schemes often have one or all of these characteristics:

- offers of debt reduction through new sources of income (i.e., dividends, interest payments, etc.);
- promises of immediate access to assets in locked-in RRSPs or RRIFs;
- unrealistic returns on an investment, or frequent high interest or dividend payments; or,
- aggressive advertising campaigns or promotional meetings that talk about investments that will help you unlock your locked-in retirement savings.

If you have been approached or know of an investment that fits the description above, do not invest and contact your provincial securities regulator.

Other common characteristics

The Canada Revenue Agency (CRA), B.C.'s Financial Institutions Commission (FICOM), and the Manitoba Pension Commission (MPC) have concerns about this issue. Some of the common characteristics these agencies point out are:

- *a tax-free RRSP or RRIF withdrawal* – promoters often promise to return part of the taxpayer's investment by offshore debit or credit cards, offshore bank accounts, or loan-back arrangements;
- *additional incentives* – you may be granted an investment "credit", such as a loan-back arrangement, additional shares, or a preloaded debit or credit card to induce you to invest;
- *additional fees* – you will likely be charged fees that may substantially erode your pension fund, RRSP or RRIF;
- *opinion letters* – promoters often provide private letters from tax, legal or accounting professionals that give the impression the letter writer endorses the scheme; or,
- *vulnerable individuals* – these schemes often target debt-burdened people who feel they need immediate access to their retirement funds.

Investigate before you invest

Before investing, check the registration status of the person selling the investment by searching the Canadian Securities Administrators National Registration Search at www.securities-administrators.ca.

If the person is not registered, contact your local securities commission immediately and ask questions about the individual and the investment. If they are registered, check with their employer or your provincial securities regulator to see if they can sell this type of investment.

Furthermore, you should have the investment reviewed by a financial or tax expert that is independent of the transaction. This person may alert you to the possible consequences of unlocking your retirement savings account, or the risk the investment may pose to your savings.

What if you think you have encountered an investment scam?

If you are a B.C. or Manitoba resident and you have questions or concerns about a financial adviser or investment, you can:

- contact the BCSC at 604-899-6854, 1-800-373-6393 or inquiries@bcsc.bc.ca
- contact the MSC at 204-945-2548, 1-800-655-5244 or securities@gov.mb.ca

Residents from other Canadian provinces can find contact information for their local securities regulator on the CSA website at www.securities-administrators.ca.

Authorities to contact regarding suspected pension or tax schemes

- If you are a B.C. resident or have a pension locked-in under B.C. legislation, contact FICOM. You will find its contact information at www.fic.gov.bc.ca.
- If you are a Manitoba resident, contact the MPC at www.gov.mb.ca/labour/pension.
- CRA investigates fraudulent unlocking scams under the *Income Tax Act*. For more information, visit its website at www.cra-arc.gc.ca or call 1-800-267-3100.
- The Royal Canadian Mounted Police (RCMP) tracks and profiles fraudulent schemes through this website: www.rcmp-grc.gc.ca/scams-fraudes/rep-sig-eng.htm. The website provides contact information for police services in your jurisdiction.

Learn how to avoid investment fraud at the BCSC and MSC investor education websites: www.investright.org and www.msced.ca.