



**Department of Commerce & Consumer Affairs
Office of the Securities Commissioner
335 Merchant Street, Honolulu, HI 96813**

Here's a real story that happened in Hawaii:

The victim was a 76 year old female from Japan. She had a limited command of the English language. Let's call her Mrs. Tanaka.

Mrs. Tanaka had about \$300,000 she received from her late father's estate and she planned to use the money to purchase a home that was being constructed in town. Mrs. Tanaka was looking for a safe investment when she saw an advertisement in the Honolulu Advertiser for a high-rated FDIC insured CD. It should be noted that Mrs. Tanaka had been diagnosed with macular degeneration.



Mrs. Tanaka called the number on the advertisement to look into the CD. But rather than helping her invest her funds in an insured CD, the investment company that answered Mrs. Tanaka's call talked her into purchasing several viatical settlement contracts. She was assured that her investment was guaranteed and that they could deliver her investment to her on a specific date. But she didn't really understand the investment. The reality was that viaticals are not guaranteed, are risky and often lock-in your money for a while. The investment company could not deliver her money when promised.

Mrs. Tanaka was confused and upset. She contacted our offices. We opened a case and started to investigate. It turns out that the investment company wasn't even registered with the securities branch of the DCCA. This violates the law since every investment company, broker-dealer and investment adviser in Hawaii has to be registered with us. Eventually, we were able to get her funds back and fine the company. The company is no longer doing business in Hawaii.

Mrs. Tanaka in my story has asked to be anonymous only because she didn't want her children to find out what she had done. Our offices can protect your confidentiality up to the point we actually take action. Mrs. Tanaka went through a lot of pain and anxiety but the happy ending to the story is that our Mrs. Tanaka got her investment back and is now living in her own home.

Not every story has a happy ending and even Mrs. Tanaka went through a lot. What can you do to protect yourself? Who can help? CALL US.

**To report investment fraud call 58SCAMS (587-2267)/Toll Free 1-877-HI SCAMS
Visit our website at www.investing.hawaii.gov**

"Protecting Hawaii Investors"



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A Victim's Story: "For over 10 years he was my financial planner and I trusted him with my money."



It happens in Hawaii too. Mr. Kealoha, a local well-educated 67 year old man, and his wife were retired from the State and living on a fixed income when their financial planner convinced them to invest \$10,000 in a confusing product: viatical settlements. In a viatical settlement, the investor pays for an interest in someone else's life insurance policy with a promise of returns to be paid upon the death of the insured. Mr. Kealoha's financial planner told him that the viatical settlements he recommended was a great deal. He told Mr. Kealoha that the \$10,000 investment would payout \$13,000 in six months since the policy holder was very ill and had a maximum of six months to live.

Mr. Kealoha did not really understand how viatical settlements worked but he trusted his financial planner. He and his wife had relied on him for over 10 years. Based on his financial planner's advice, Mr. Kealoha bought the investments in 1995, expecting a payout in six months. But after two years, the policy had not paid out and when Mr Kealoha called his financial planner, the financial planner told him that the insured was still alive and his investments was indefinitely "tied up."

In 2005, after 10 years of waiting, Mr. Kealoha felt cheated and misled by his financial planner. He did not know what to do or where to get help. A family member told him to call the Hawaii State DCCA Office of the Securities Commissioner. The office opened a case and started an investigation. A number of securities violations were found. The viatical settlements were not properly registered as securities and were in violation of state securities registration laws. The financial planner also did not explain the risks of the investment to Mr. Kealoha and failed to take into account Mr. Kealoha's need to access the funds in the short term. The financial planner failed to act in Mr. Kealoha's best interest and breached his fiduciary duty to Mr. Kealoha. Eventually, our office was able to get Mr. Kealoha's money back and fine the financial planner. The Kealoha's now have a new financial planner.

The Kealoha's have shared their story with us because they want others to learn from their experience or missteps. The big lesson is, "do not buy a product if you do not understand it, no matter who is selling it." Ask questions because you have a right to know. Always check the registration of the professional and the product by calling our office and asking us if they are registered. Ask our office about the complaint history of the professional as well. If you are scammed, call us immediately. We are here to help.

**To verify the registration of an investment professional or product, call our
Securities Compliance Branch: (808) 586-2722**

**To report investment fraud, call our
Securities Enforcement Branch: (808) 587-2267 / Toll Free 1-877-HI SCAMS**

For more information visit our website at www.investing.hawaii.gov