Should you avoid investing in Mutual Funds at your bank*?

Not At All...But, Be An INFORMED Investor!

1 Beware of advertising and mutual fund names that blur the line between a bank's insured and uninsured products. Your bank is not obligated to cover losses suffered in a mutual fund investment that you make through the bank. Some bank advertising and mutual fund names may leave you with the impression that there is no difference in the protection offered for insured and uninsured products. Ask questions to be sure that you understand whether the product you are purchasing is insured or uninsured.

2 Keep in mind that mutual funds (including money market funds) sold by banks are not insured by the federal government. Also be aware that there is a difference between a money market ACCOUNT (which IS insured), and a money market MUTUAL FUND (which is NOT). No mutual funds are insured by the federal government or any private entity. Many banks now sell uninsured products, such as mutual funds, stocks, and annuities. Only insured bank products (such as savings accounts and certificates ofdeposit) are eligible for FDIC protection. You can lose money invested in a mutual fund, whether it is sold by a bank, a brokerage firm, or directly from an investment company.

3 Recognize that mutual funds (including those sold at banks) are very different from fixed rate investments, such as CD's. The purchaser of a CD is promised a specific rate of return by a certain date. Additionally, a CD is insured by the FDIC. By contrast, mutual fund prices can go up and down every day, past performance is no guarantee of future results, and the investment is completely uninsured. A mutual fund can return far more to you than a savings account or CD, but this potential is only made possible by RISK, which is what also exposes you to the potential loss of your principal.

4 Determine your investment objectives and risk tolerance and then find a mutual fund that is a good match. Know what your plans are and have some idea of what income will be needed to achieve those goals. Professionals selling mutual funds through banks are supposed to determine if an investment is appropriate for you, but many investors indicate that they are not being asked questions about the "suitability" of a particular mutual fund for their circumstances. Do you need stability, growth, or a steady income stream from your investments? How much risk can you afford to assume in pursuit of higher returns? These are the questions that will help guide you to the type of mutual fund that is best for you. Most investors will find that it makes sense to diversify their portfolio, rather than placing all of their nest eggs in one "basket".

5 Take time to comparison shop for mutual funds...especially if you are a first-time investor. Many individuals tend to rely on a "sales-pitch", rather than doing their own homework. Most bank customers who buy mutual funds for the first time do not fully understand all of the fees and charges involved in that investment. Always make sure you know ALL the costs BEFORE you enter into it. All fees associated with a mutual fund are summarized in the fee table in the prospectus. Ask about terms such as "front-end load", "back-end charge", "management fees", and "12 b-1" fees. Make sure you have all fees in writing, and make sure you always understand what you are paying for.

6 Look "under the hood" of any investment you consider. If it is a mutual fund, the prospectus can be the key to your understanding of the fund and whether it is a good match for you and your goals. Examine the investment objective section and compare it to what makes the most sense to you. Review the types of risk associated with the fund. Finally, look at the fees and compare them to similar funds with comparable objectives.

** The word "Bank" is used generically to include all financial institutions. (The reference to FDIC would be NCUA if the financial institution were a Credit Union).*

Basic Information...

Banks sell mutual funds in two major ways. Some rent space in their lobbies to outside brokerage firms and investment companies. Others make arrangements to offer "private label" mutual funds, which are managed by outside companies, but available only at the bank. (Caution: Some mutual funds offered through banks bear names that are confusingly similar to those of the financial institution.)

If You Have Problems...

If you have a problem with your mutual fund or do not understand something that has been mailed to you about the investment, contact the brokerage firm unit in your financial institution. If you still have questions or problems, ask the institution to look into the matter.

An unresolved problem involving your investment or potential misconduct on the part of a broker or other sales agent will require additional steps. For help in dealing with these matters, contact the Nebraska Department of Banking & Finance, Bureau of Securities, which oversees the conduct of brokers in our State. Reach us by mail, by phone or via our website listed on the cover.

Department personnel are pleased to respond to regulatory questions, but cannot give advice on specific investment opportunities

TIPS for CONSUMERS

ABOUT MUTUAL FUNDS SOLD BY BANKS

Printed and Distributed as a Public Service by
The Nebraska Department of Banking & Finance
Bureau of Securities
PO Box 95006
Lincoln, NE 68509-5006
(402) 471-3445
website: http://www.ndbf.org

PROTECTED... OR NOT?

Uninsured mutual funds, money market accounts, stocks, and annuities are now being sold at many financial institutions. However, many Americans mistakenly assume that all products sold within the four walls of a bank are federally insured.

They don't realize when it comes to making an investment at a bank, thrift, or credit union, that there are NO guarantees, NO bailouts, and NO insurance "safety nets" to protect against losses.

WHAT ARE THE BASIC FACTS?

- *Consumers who make alternative investments at banks do not benefit from the Federal Deposit Insurance Corporation (FDIC) coverage available for deposits of up to $100,000 per customer.*
- *This means that investors are not eligible for the same federal insurance that protects depositors who put their money in traditional bank products, such as savings accounts and certificates of deposit (CD's).*

CONFUSED? *You aren't alone! A recent survey conducted by the American Association of Retired Persons (AARP) and the North American Securities Administrators Association (NASAA) found that a great deal of uncertainty exists about which bank products are insured and which are not.*

This flyer attempts to answer a few of the most common consumer inquiries about some of these products. In discussing these alternative investments, the Department is not making recommendations. Each investor must evaluate his or her own situation and decide how much risk is comfortable.