

## ASHBURN FIDUCIARY STATEMENT

My name is Phil Ashburn and I live in the San Francisco Bay area. Thank you for the opportunity to share my story today at the Middle Class Prosperity forum.

In 2002 I was surprised when the company I worked for, which I will refer to as The Phone Company, offered some of its employees an early buyout. Prior to then, I hadn't even given thought to retiring even though I had just completed 30 years of service.

The company gave us 3 choices, ignore the offer and continue to work; take The Company's pension plan which would have been about \$1,500 a month for life; or accept The Company's "buyout" plan, a lump sum of about \$355,000 that might not be offered later.

Now I was as nervous as I could be...what should I do? I talked it over with my wife and still couldn't make up my mind. Then a few of my co-workers from a few years earlier, reminded me of a financial advisor that the company had allowed into the building to give financial advice to some prospective retirees. What could be wrong with that? The Company had taken care of me for 30 years. I trusted them. If they let someone on the property to discuss these matters, then I should be able to trust this person also. I will admit, being a blue-collar Union employee and being watched over, cared for and protected by The Company and the Union, my entire career, I was ignorant when it came to these financial matters I had to deal with, and I needed professional help. The quality of my future was at stake.

I decided to call the financial advisor, who was a broker a broker with SunAmerica, AIG Financial Advisors, Inc. She said I had made the right choice by calling her as she was

an expert with The Phone Company Retirement Plans and had over 200 phone company retirees as clients. That sounded good to me, so I scheduled a meeting with her. When she came to my house, my wife and I sat at the kitchen table with her. I explained the 3 choices to choose from and that I just didn't know what to do. She told me the decision was easy and a no-brainer, that I should take the lump sum and allow her to invest it. She said that I had worked hard during my career and if I continued to work I would be working for free. If I came on board with her, she promised I would never go broke, always have money, and even have money left for my family when I was gone. I could also choose my own monthly income, anywhere from \$0 to \$3,000 a month, my choice.

When she left, my wife and I talked it over. We were both so nervous and filled with anxiety. This was our future we were talking about. The Financial Advisor put on such a great presentation, we were thinking positively about moving forward with her. After discussing this throughout the evening, we decided to go with it.

The next day I called the advisor and she came back on that same day with lots of paperwork. She brought up something called a 72T account and that was how I would get my monthly income. As I mentioned before, she said I could take up to \$3,000. I didn't really know how it worked. My wife and I chose \$2,700 per month and my advisor didn't bat an eye. She looked at us with a big smile and said, "Perfect, good choice". Little did I know then, that with the amount that I was investing, I should only taken monthly withdrawals of \$1,200-\$1,500. She explained again what a bright future we had to look forward to, never going broke, good monthly income and money left for the family. Then we started signing paperwork. She explained some of the paperwork, but

some items she just described as a formality and I signed them. When we were finished, we talked about a few pleasantries of my wife's and I's future. There were handshakes and hugs, then she left. As we watched her walk down the sidewalk, my wife and I never felt so elated. Our future was secure...what a relief.

Life was good for a while. The check came every month and our future seemed bright. My portfolio grew a little bit, but then it became more stagnant. I would receive newsletters, all up-beat, saying, "Stay the course, don't worry, this is just a glitch, things will get better". Things went on like this for quite a while. I would call her occasionally and was always told, "Don't worry, things will be fine".

One day, I got a call from another advisor who said that he and my advisor were going into a partnership and that they would like to come to the house to show me how I could make more money. When he came to the door on the scheduled appointment day without my adviser, he explained that she had to go to her daughter's soccer game and that he could handle this himself. He explained to me that he would like me to let a company called C.L.S. manage my accounts. They would micro-manage my accounts by looking at them on a daily basis and money around for optimal profits. It would cost me 1.5%, but I would make more money. I still trusted my advisor, so I figured I could trust her partner. I agreed to his plan and signed the paperwork...more handshakes and smiles. Although my advisor now had a partner, I still thought of my first advisor as my primary contact.

After a short while, I tried to contact her and was always told she wasn't there, and to leave a message. I believe it may have been on my 4<sup>th</sup> attempt to contact her, I got ahold of someone on the phone who started laughing. I asked what was funny and he

said that my advisor didn't work there, had sold her client book to this new advisor and that she had left the state and moved to Florida. Myself nor any of her other clients that I knew weren't told anything about it.

In the end, my adviser invested my more than \$350,000 lump sum into a variable annuity and promised it would grow over time. Her "partner" cost us further as after he became involved I began losing \$1,200 every quarter in fees. We lost hundreds of thousands of dollars as a consequence of this advice. Today, we are in a very tough financial situation and are at risk of losing the home we've lived in for more than 40 years. I won't have anything to leave my kids, or my grandchildren. My first advisor is now living in Florida very comfortably in a gated community, and my second advisor is opening new offices all over the San Francisco bay area. Meanwhile I live on a strict budget and shop at thrift stores. As I close, I would like to say that my Wife and I have been devastated by the way we were treated by these financial advisors. Our future is not what we were told it would be.

Thank you again for the opportunity to share our story.