



Investor Protection Trust

Definition of Investor Education for Use by the IPT

Statement of Policy

In approving grant applications for funding from the IEF, the Trustees shall first make a determination that the predominant purpose of the proposal is investor education or research on topics dealing with securities, investments and compliance with state and federal securities laws, designed to provide investors with the knowledge and skills necessary to make informed investment decisions.

Investor Education and Protection

The Investor Protection Trust (IPT), in order to standardize language and avoid confusion, will adopt the following definition of the term “Investor Education” to be used for the purpose of guiding IPT activities and in evaluating Letters of Inquiry and Proposals to the IPT.

For the purpose of defining “Investor Education” as it pertains to the activities of the IPT, the IPT defines “securities” and “individual investor” as follows:

- Securities are financial instruments, usually stocks, bonds, money market instruments, or mutual fund shares that are issued by corporations; municipalities; state, local, or national governments; or investment companies to raise or borrow money or give the public an opportunity to participate in the growth of a company.

- An individual investor is a person who buys or sells securities for his or her own account.

The purpose of investor education as defined by the IPT is to give the current and future individual investor the ability to read, analyze, and understand investments and investment vehicles. This includes the ability to discern investment choices, recognize and avoid investment scams and fraud, discuss investments without (or despite) discomfort, use investments appropriately to plan for their financial future, and respond competently to life events that affect investment decisions.

Investor Education is non-commercial, objective education provided or made available to the current and potential individual investor with the purpose of allowing the individual to make educated investment decisions as they pertain to the purchase, management and sale of investment products such as stocks, bonds, and mutual funds, either individually, or as part of an IRA, 401(k) or other retirement or college savings vehicles with investment products as a component.

Investor Education is non-commercial, objective education provided or made available to the current and potential individual investor with the purpose of recognizing, avoiding and reporting investment scams, frauds, and improper investing practices by individuals, practitioners and/or companies by gaining knowledge of the consumer protections afforded to the individual investor by various state and federal regulations and those agencies that enforce securities law.

Investor Education includes non-commercial, objective research initiatives where the results can be directly utilized to more effectively educate and protect Americans including, but not limited to, research on investor behavior and preferences, including confidence surveys, behavior measurement, focus groups, material reviews, etc. Investor education also includes research and research findings regarding investor education that expands the current body of research and knowledge base on subject of investor education.

Investor education by definition can and should cover all aspects of individual investing and investments including, but not limited to investment vehicles, “suitability” of investments, setting up and executing an investment plan, appropriateness for life cycle stage, time horizon, time value of money, diversification, risk, return, research of investments, research of broker/dealers, stock brokers, and investment advisors, the capital markets, protection of assets, fraud and scams, arbitration, and wealth accumulation.

July 2006