



What you should know about...

INVESTOR FRAUD



Investor Protection Institute

An investor education and protection program from the Investor Protection Institute

Financial fraud, investment scams and *get-rich-quick* schemes often go unreported because the victims are *too embarrassed* to admit they were so gullible. But it's not so easy to tell if an investment is fraudulent. *Anyone* can be a victim.

Older adults—especially those over 65—are more likely to be targeted and more likely to lose money to con artists.

If it sounds too good to be true, it probably is.

\$50 Billion

annual loss

Estimates suggest financial fraud costs American consumers more than \$50 billion every year.

Use the EDGAR database to find out if an investment product is registered with the SEC: SEC.gov (search EDGAR)

BEWARE these con lines!

- “You can make a lot of money, no risk.”
- “You can only get in this today.”
- “This is a sure bet.”
- “Everyone’s buying, it’s so hot.”
- “Don’t take my word for it, listen to your friend who just made a bundle.”



Hear a tip to *get rich quick*? It's often fraud.

Types of Traps

- **Affinity fraud** - Members of a group are conned by one of their own, often unreported.
- **Advance-fee fraud** - Asks you for up-front money so the deal can go through (i.e. “Nigerian” official).
- **Ponzi schemes** - Initial investors are paid from funds of later investors, touted as high yield and low risk.
- **Pyramid schemes** - Investors make money by getting new recruits, closely related to Ponzi schemes.
- **Promissory notes** - Investors loan money in exchange for fixed income payments.
- **Pre-IPO investment scams** - Someone offers to sell unregulated securities they may not own or are fake.
- **Pump-and-dump scam** - First someone tries to boost a stock’s price with fake info, then sells their holdings.
- **Private offerings** - Unregulated, limited investment offerings that lack transparency and liquidity.
- **Distressed real estate schemes** - Foreclosures, short sales or highly leveraged real estate touted by cons.
- **Oil/gas drilling programs** - Promise of lucrative returns and high pressure sales tactics hides the risk.
- **Proxy trading accounts** - Someone offers to set up an account in your name and trade for you.

40%

A FINRA survey indicates that 4 out of 10 investors could NOT spot a financial con. No wonder most fraud goes unreported.

New Products, New Cons

New investments and financial innovation bring new scams. Beware of investing on crowdfunding sites or in new products like digital currency. Con artists keep track of the headlines, too.

Take Steps to Protect Yourself

Use a reputable adviser, one registered with your state securities regulator.

Do not give an adviser total control; read your statements.

Do not make out checks to an individual sales person.

Pick investments you can buy/sell through reputable firms.

If you suspect fraud/theft... report it! Do not be embarrassed.

Do not send money to be eligible to win something.

STOP!

Don't invest in something you don't understand.

Recognize These Warning Signs...

- The adviser assures you the proposed investment *can't lose money*.
- The adviser is *not licensed* or registered to sell the investment.
- Someone takes interest in your finances, particularly *someone new* to you.
- Someone asks you to *send money quickly* and references your relatives.
- You get an *unsolicited call* or email from someone selling an investment.

Report suspected fraud to a State Securities Regulator or go to NASAA.org.