



Protecting Yourself from Investment Fraud

Ron Wall, Extension Specialist in Family Economics and Management

Investment fraud is alive and well

Every year unwary consumers lose millions of dollars to investment swindlers and con artists. While many consumers are aware of the most flagrant schemes and deceptions, many more are still easily enticed by the lure of extraordinary returns with “little or no risk.” In a nation where everything seems possible, the promise of easy riches still holds sway. Below are some signals that may help you spot investment schemes, scams, and frauds before you become involved and less able to protect yourself from their lure or losses.

Warnings of imminent danger

- If it sounds too good to be true, it most likely *is* too good to be true.
- If it is guaranteed to double your money in a very short time, it probably won't.
- If you've never heard of it before, there is probably a very good reason.
- If you have been sought out to share in a great bonanza, ask yourself, “Why?”
- If your bank account numbers are requested, look out!
- If it's a great new system for increasing your income with little effort, dream on.
- If an expert just wants to share his secret to easy riches, *you* may be the secret.

Sales ploys of unethical promoters

- Taunting your pride. “Coming up with \$10,000 shouldn't be any problem for a person like you, should it?”
- Tweaking your sincerity. “Gosh, I hope I haven't been wasting my time. I thought you were serious about investing.”
- Envisioning riches. “Gee, I started with practically nothing and now because of a few simple secrets I'm filthy rich.”



- Accentuating the positive. “You want to become rich, don't you? Well, you have to take some risks to become rich.”
- Smart people, dumb people. “Of course, this isn't for everyone—especially those who want to grow poor while they keep all their money under a mattress.”
- Monkey see, monkey do. “Hey,

I've got all my money in this deal, my mother's too—would I do that if there were any chance we could lose money?”

- Feigned superiority. “I know this is very technical, but the copacetic technetronic transformational technology system is the future. If you don't buy now, you will lose out on the deal of a lifetime.”
- Factual misrepresentation. “There's such a tremendous need for left-handed soap scrubbers that even making 20,000 a day until 2020 wouldn't meet the shortage.”
- Trust and sympathy. “I really hate to see anyone taken advantage of. That's why I'm here—to evaluate your situation and invest your money for you. Trust me.”
- Purposeful deception. “I know you only wanted more bonds, but I didn't want this opportunity to get away from you.”

Protections consumers can take

Often we read that consumers confronted with extraordinary investment deals should investigate before they invest. That's not bad advice if you have the time and energy to sift through the deceptions. But remember, scam artists are professionals. They know how to look and sound legitimate. They know how to generate their own illustrations and press releases. They also know how to disappear when investigators get too close for comfort. If you really want to protect yourself, you have to use common sense and refrain from becoming involved in schemes that promise easy riches. As you may recall, people who want to spread their wealth are called philanthropists, and they usually don't make sales calls or host infomercials.