

Inside an Investment Scam Pitch

Most investors are at risk of victimization simply because they are unaware of how to evaluate investment opportunities. The following four key steps will help you protect your money.

Stop. Never invest merely on the basis of a sales pitch. Get written information and evaluate it. Remember that the person on the other end of the phone is a salesperson even if he or she is a stockholder, financial advisor, or has an impressive title. The first priority of people who sell investments is to make money for themselves and their employers, not necessarily to ensure the investor's financial future. That does not mean that all people who promote investments are dishonest, just that their goals may not be the same as the investor's goals.

- **Know your limits.** Stick with investments you understand particularly when it comes to the potential risks or rewards. Do not get caught in the trap of trusting a salesperson who claims to understand it all and promises to take care of you. Do not sign papers before reading and understanding them.
- **Use critical thinking skills as a form of self-protection. Caveat emptor** is a Latin phrase meaning "let the buyer beware" and is particularly applicable to fraud protection. Although the Attorney General's Office and other regulators oversee fraudulent activities in the marketplace, the best forms of protection are good critical thinking skills and a sound decision-making model to determine the legitimacy of any investment opportunity. Ask common sense questions about the nature of the investment. **Where exactly is the money going? How much will the salesperson get in fees or commissions? What is the track record of the investment? Don't sit still for mumbo-jumbo or double-talk. When it comes to personal savings, the only dumb questions are the ones not asked.**

What the con artist says ...

"You can make 30, 50, or even 100 percent in just three to six months."

"The good news doesn't stop there. Not only can you get a way above average rate of return, but there is no risk to your capital."

"You must act now to take advantage of this incredible opportunity."

"We have inside information about a special contract that the company is getting with a Fortune 100 corporation."

The truth of the matter

If a stranger calls and offers you a way to double or triple your money in no time at all, there is zero chance that you are being approached with a legitimate business opportunity. Why would anyone be doing you this favor? Why wouldn't this wonderful investment opportunity already be snapped up by investment professionals long before you ever got a chance to see it? If this was a legitimate opportunity, doesn't it seem likely that the demand from investors would have dried up the supply of opportunities long before your name came up?

Ask yourself, is this a reasonable risk-reward statement? The rule of thumb is simple: As the potential for profit (or reward) rises, so too does the element of risk. This is why most people who cannot afford to take on a great deal of risk must settle for low-interest bank products and low-return investments. The suggestion that sky-high returns can come with no risk is a sure-fire tip-off to a scam.

While it is true that some investment opportunities are fast moving and change from day to day or even hour to hour, a stranger pressuring you to act immediately is a major warning sign of an investment scam. Take the time to learn about the investment and the person promoting it. Consult first with someone you think might know more about the investment. Never send your money just because someone insists that you do so!

This is another clear indication of a scam. Insider trading is a violation of federal law that can result in steep financial penalties and even jail time. The "secret" information

or the claim of the recent discovery of revolutionary new technology is another tip-off that you should hang on to your wallet and hang up the phone!

[There is an "Investment Fraud Script in the Appendix, Exhibit K. It is a fun demonstration to role play, using the script, with the Speaker acting as the swindler and a member of the audience as the "mooch." Also attached are questions for discussion.]