

How to Avoid Investment Fraud & Abuse



8. Look out for trouble retrieving your principal or cashing out profits.

Many older investors have little ongoing need for investment funds, while others require returns that are paid out regularly in order to supplement limited incomes. If a stockbroker, financial planner or other individual with whom you have invested stalls or makes excuses when you want to withdraw funds, you may have uncovered someone who wants to cheat you. Unscrupulous investment promoters pocket the funds of their victims, they go to great lengths to explain why an investor's savings are not readily accessible. In many cases, they will pressure the investor to "roll over" nonexistent "profits" into new and even more alluring investments, thus further delaying the point at which the fraud will be uncovered. If you are not investing in a vehicle with a fixed term, such as a bond, you should be able to receive your funds or profits within a reasonable amount of time.

9. Don't let embarrassment or fear keep you from reporting investment fraud or abuse.

Older investors who fail to report that they have been victimized in financial schemes often hesitate to speak up out of embarrassment or the fear that they will be judged incapable of handling their own affairs. Some senior citizens have indicated that they fear that their victimization will be viewed as grounds for forced institutionalization in a nursing home or other facility. Recognize that con artists know about such sensitivities and, in fact, count on these fears to prevent or delay the point at which authorities are notified of a scam. While it is true that most monies lost to investment fraud are rarely recovered beyond

pennies on the dollar, there are also many cases in which older investors who recognize that they have been misled about an investment are able to recover some or all of their funds by being a "squeaky wheel." A good resource for older investors who fear that they have been victimized is the securities agency in the state in which they live. The telephone number of the Massachusetts Securities Division is (617) 727-3548 or (800) 269-5428 (office hours: 8:45am-5:00pm Monday through Friday).

10. Beware of "reload" scams.

Younger investors who are ripped off by swindlers are fortunate to the extent that they have the opportunity to pick themselves up and restore some or all of their losses through new earnings. Most older investors, however, are dealing with a finite amount of money that is unlikely to be replenished in the event of fraud and abuse. The result is a panic that is well known to con artists, who have developed schemes to take a "second bite" out of senior citizens who already have been victimized. Faced with a loss of funds, some senior citizens will go along with another scheme in which the con artists may promise to make good on the original funds that were lost... and possibly even generate new returns beyond those originally promised. Though the desire here to make up lost financial ground is understandable, all too often the result is that unwary senior citizens lose whatever savings they have left in the wake of the initial scam and possibly more in the second scam.

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Older investors are the number one target of investment con artists. Additionally, stockbrokers and financial planners who engage in abusive practices often seek out the elderly. The files of state securities agencies are filled with tragic examples of senior citizens who have been cheated out of savings, insurance proceeds, and even the equity in their own homes. Fortunately, such victimization can be avoided by following self-defense tips developed for older investors by the North American Securities Administrators Association, Inc. (NASAA), an organization of 67 state, provincial and territorial securities agencies responsible for investor protection on a grass roots level.

1. Don't be a "courtesy victim."

Older investors are of the generation that was taught to be courteous at all times to phone callers, as well as people who visit them at home. Con artists will not hesitate to exploit the good manners of a potential victim. Remember that a stranger who calls and asks for your money is to be regarded with the utmost caution. You are under absolutely no obligation to stay on the telephone with a stranger who wants your money. In these circumstances, it is not impolite to explain that you are not interested and hang up the phone. Save your good manners for friends and family members, not swindlers!

2. Beware of strangers touting "strange" deals.

Trusting strangers is a mistake that all too many older investors make when it comes to their personal finances. Say "no" to any investment professional or con artist who presses you to

make an immediate decision, giving you no opportunity to check out the salesperson, firm and the investment opportunity itself. Extensive background information on investment salespeople and firms is available from the Central Registration Depository (CRD) files available from your state securities agency (contact the Massachusetts Securities Division at (617) 727-3548 or (800) 269-5428). Almost all investment opportunities must be registered for sale in the state in which you live. Your state securities agency can tell you if the investment opportunity is properly registered. Before you part with your hard-earned savings, get written information about the investment opportunity, review it carefully, and make sure that you understand all the risks involved. A favorite tactic of telemarketing con artists is to develop a false bond of friendship with older investors. Swindlers know that many senior citizens are eager to have someone to talk to on the phone, even a complete stranger. If you are dealing in person with a stockbroker or financial planner, do not be swayed by offers of unrelated advice and assistance that are merely efforts to develop a sense of friendship and even dependency. Be wary of sharing too much with someone whose only real interest is to get his or her hands on your money.

3. Always stay in charge of your money.

A stockbroker, financial planner or telemarketing con artist who wants your money will be more than happy to assure you that he or she can handle everything, thereby relieving you of the need to watch over and protect your nest egg. Be skeptical of any financial professional who suggests putting your money into something you don't understand or who

urges that you leave everything in his or her hands. Constant vigilance is a necessary part of being an investor. If you understand little about the world of investments, take the time to educate yourself or involve a family member or a professional, such as your banker, before trusting a stranger who wants you to turn over your money and then sit back and wait for results.

4. Never judge a person's integrity by how they sound.

All too many older investors who get wiped out by con artists later explain that the swindler sounded like such a nice man or woman. Successful con artists sound extremely professional and have the ability to make even the flimsiest investment deal sound as safe and sound as putting money in the bank. Some swindlers combine professional-sounding sales pitches with extremely polite manners, knowing that many older Americans are likely to equate good manners with personal integrity. Remember the sound of a voice, particularly on the phone, has no bearing on the soundness of an investment opportunity.

5. Watch out for salespeople who prey on your fears.

Con artists know that many older investors worry they will either outlive their savings or see all of their financial resources vanish overnight as the result of a catastrophic event, such as a costly hospitalization. As a result, it is common for swindlers and abusive salespeople to pitch the schemes as a way for older investors to build up their life savings to the point where such fears are no longer necessary. Remember that fear and greed can cloud your good judgment and leave you in a

much worse financial posture. An investment that is right for you will make sense because you understand it and feel comfortable with the degree of risk involved.

6. Exercise particular caution if you have little experience handling money.

Con artists often prey upon investors who have limited experience with managing finances. Sadly, this happens all too often in connection with elderly investors - especially those investors who once relied on family members for investing assistance. For example, those who have received windfall insurance payments in the wake of their spouse's death, are prime targets for con artists. Senior citizens who are on their own and have little know-how about handling money should always seek the advice of family members or a disinterested professional before deciding what to do with their savings.

7. Monitor your investments and ask tough questions.

Too many older investors not only trust unscrupulous investment professionals and outright con artists to make initial financial decisions for them, but compound their error by failing to keep an eye on the progress of the investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. Do not be swayed by assurances that such practices are routine or in your best interests. Do not permit a false sense of friendship or trust to keep you from demanding a routine statement of your investments. When you suspect that something is amiss and get unsatisfactory explanations, call your state securities agency and make a complaint.