Managing Your Finances

Beware Of Stock Fraud In The Wake Of Natural Disasters

(NAPSA)—Financial fraud routinely follows on the heels of natural disasters like hurricanes, wildfires and earthquakes—but you don't have to be a victim. After a disaster, you may receive unsolicited phone calls, e-mails and texts, including from messaging apps, about investments that exploit a variety of disaster-related opportunities.

Best bets for scams include stock or crowdfunding investments associated with cleanup, rebuilding, and breakthroughs in science and technology that purport to address current and future issues related to the disaster. While it is conceivable that some of the claims are true, many could turn out to be bogus—or even scams.

Spotting Scams

Unsolicited communications about investments that exploit natural disasters frequently include price targets or predictions of swift and exponential growth and might even cite respected news sources to bolster those claims. They might also claim the company has contracts with government agencies or well-known companies. More than anything, these pitches include pressure to invest immediately, suggesting "You must act now!"

How To Avoid Getting Scammed

To avoid potential scams, make sure you get the information you need to make a wise investment choice.

1. Before you invest, ask and check. Never rely solely on information from an unsolicited e-mail, text message or cold call from an "analyst" or "account executive" promoting a stock. It's easy for companies or their promoters to make glorified claims about new products, lucrative contracts, or the company's revenue, profits or future stock price. Ask questions about the investment and use FINRA BrokerCheck at BrokerCheck.FINRA.org to check registration status and other information on investment professionals and firms.

2. Find out who sent the message. Many companies and individuals who tout stock are corporate insiders or paid stock promoters. Look for statements (usually found in the fine print) that indicate cash payments or the receipt of stock for disseminating a report on the company.

Stop and think before you invest in disaster-related financial opportunities. It could be a disaster for you.

3. Find out where the stock trades. Most unsolicited stock recommendations involve stocks that can't meet the listing requirements of The Nasdaq Stock Market, The New York Stock Exchange or other U.S. stock exchanges. Instead, these stocks tend to be quoted on an over-the-counter (OTC) quotation platform.

Companies that list their stocks on registered exchanges must meet minimum listing standards. For example, they must have minimum amounts of net assets and minimum numbers of shareholders. In contrast, companies quoted on the OTCBB or OTC Link generally do not have to meet any minimum listing standards (although companies quoted on the OTCBB, OTC Link's OTCQX and OTCQB marketplaces are subject to some initial and ongoing requirements).

4. Read a company's SEC filings. Most public companies file reports with the SEC. Check the SEC's EDGAR database at www.SEC.gov/EDGAR to find out whether the company files with the SEC. Read the reports and verify any information you have heard about the company. But remember, the mere fact that a company has registered its securities or has filed reports with the SEC doesn't mean the company will be a good investment.

If you're suspicious about an offer or if you think the claims might be exaggerated or misleading, you can contact FINRA at www.FINRA.org/Investors/File-Complaint.

Learn More

To learn more about how to protect your money, visit the FINRA Foundation's website: www.SaveandInvest.org.