

Don't Fall For Affinity Fraud: Ask And Check Before You Invest

(NAPSA)—Many investors are tempted to put money into the next “hot” investment deal, especially when friends and family are buying it. That may not be a good idea.

“Our brains tell us that when people around us are all doing something, it must be okay. But when it comes to investing, following the herd can be costly,” says Gerri Walsh, acting president of the FINRA Investor Education Foundation. “Some criminals exploit this type of behavior—known to psychologists as ‘social consensus’—by committing affinity fraud. They target groups that look or act like themselves.”

“For instance, they might share the same background or ethnicity or belong to the same church,” Walsh continued. “The criminals offer the group an investment opportunity that sounds too good to be true—usually because it is. The group invests and ends up losing its money.”

One of the worst cases involved Greater Ministries International, a Ponzi scheme that used religion to scam investors across the country.

“The way they put it was very interesting,” said Joseph P. Borg, director of the Alabama Securities Commission, whose office played a major role in breaking up the scheme. “This was God’s Social Security program for Christians. In essence, God was guaranteeing the investment and you would double your money in 17 months.”

Borg said Greater Ministries came into Alabama and convinced local pastors they needed to be affiliated with the Florida church. By investing in Greater Ministries’ African gold, platinum and diamond mines, as well as cargo ships and foreign currency trades, churchgoers would receive a portion of the profits. The rest would fund missions abroad and charities.



According to Gerri Walsh, acting president of the FINRA Investor Education Foundation, when it comes to investing, following the herd can be costly.

“When you have church leaders saying, ‘We’ve looked at this. We believe this is good. You can make money on Earth and gain credit in heaven at the same time’...well, your trust factor is so high, your suspicions are so low, skepticism no longer exists,” Borg said.

When it was all over, Greater Ministries had stolen almost \$580 million from nearly 28,000 people. The criminals went to prison.

Fortunately, there are simple steps you can take to protect yourself from affinity fraud:

• **Learn to spot red flags.** Beware if emphasis is placed on the popularity of the investment rather than on critical specifics—that is, why it’s the right fit for your financial objectives, how it makes money and how it can lose money. To learn about other fraud red flags, visit www.SaveAndInvest.org.

• **Ask questions.** Is the investment registered with the state securities regulator or the U.S. Securities and Exchange Commission (SEC)? Is the seller registered with FINRA, the SEC or the state?

• **Check the answers.** Don’t just take the seller’s word for it. Check the information you receive with the proper authorities.

• **Learn more** at www.SaveAndInvest.org/55Plus.