Protecting Your Finances

Five Fraud Tactics To Watch Out For In 2011

Investment fraud victims tend to be well-educated, financially literate, higher-income people nearing retirement—but a few tips can help you save your money.

(NAPSA)—While reviewing investment statements during tax time, many Americans feel they could've done better. Reassessing goals and tweaking your portfolio is fine, but hunting for huge returns could make you vulnerable to scam artists skilled in making "too good to be true" sound good enough to be real.

The stories cons use to steal investors' money are always changing, but research by the FINRA Investor Education Foundation and AARP has revealed five common red flags present in nearly every scam.

Fraud experts funded by the FINRA Foundation analyzed hundreds of hours of undercover audio tape from law enforcement agencies. "Those tapes gave us incredibly powerful insights that helped us create a course and a documentary that teaches investors how to spot these red flags and protect themselves," said FINRA Foundation president John Gannon.

One important discovery was that investment fraud victims tend to be well-educated, financially literate, higher-income people nearing retirement.

The fraudsters typically begin by getting to know their marks, asking benign questions about health, family, values, hobbies and political and religious views.

"Once they know which buttons to push, they'll bombard you with these common persuasion tactics," Gannon said. "The goal is to push your decision making away from the rational and toward the emotional. It's what con artists call 'putting you under the ether.'"

If, however, investors learn to spot these tactics, they can maintain control. The five most common investment fraud tactics are:

- **Phantom riches.** The con promises oversized returns couched in terms of something you've always wanted.
- **Source credibility.** Fraudsters often claim to be reputable authorities or experts or to have special credentials to gain victims' trust. Unfortunately, credibility can easily be faked.
- **Social consensus.** When a con says other savvy investors just like you are investing, he is using social consensus. Sometimes a con will recruit leaders of a community to do the selling for him or to provide additional credibility.
- **Reciprocity.** Cons will offer to do a small favor or give a small gift, then pressure victims to reciprocate by investing.
- **Scarcity.** This is often used as a closing tactic by claiming "a limited supply" and creating a false sense of urgency.

Examples of these tactics, and other information about avoiding fraud, are featured in the Foundation's free documentary, "Trick$ of the Trade: Outsmarting Investment Fraud," which is airing on public television stations nationwide. To see when and where it will air or to order a free copy of the DVD, visit the Foundation's fraud-fighting website, www.SaveAndInvest.org. You can also learn more at (888) 295-7422.