

Managing Your Money

Don't Be Tricked By Phantom Riches

(NAPSA)—This phantom lurks in every investment scam. Sometimes it takes the form of a big payoff; other times, it may be the security of “guaranteed” returns. Fraud experts call it “phantom riches,” and it is the most common tactic cons use to rip off investors.

“The criminal tempts you by dangling the promise of riches, but he can’t really provide them because they don’t exist,” said John Gannon, president of the FINRA Investor Education Foundation. “That’s why it’s called a phantom.”

Foundation-funded researchers analyzed hundreds of hours of undercover audiotape to determine how fraudsters lured victims. After reviewing 600 tapes supplied by law enforcement agencies, the psychologists and fraud experts were able to identify the most common persuasion tactics the cons used. These tactics, along with tips on how to spot and avoid them, are featured in a free documentary, “Trick\$ of the Trade: Outsmarting Investment Fraud.”

“Of all the tactics we uncovered, phantom riches is probably the most powerful and most common,” Gannon said.

“The phantom’s purpose is to get you to stop thinking logically,” said Doug Shadel, the Washington state director of AARP and an expert in financial fraud who led the research team.

“If you want something badly enough, it can really hinder your ability to critically examine an offer,” Shadel said. “A key goal of persuasion is to move you out of the logical reasoning part of your mind into the emotional. It’s what con artists call putting you under the ether.”

Jameson Kauhi of Vancouver, Wash., knows what that ether feels



Doug Shadel of AARP

like. He was lured into a scam by a local businessman who promised him millions of dollars in a real estate development investment, but first Kauhi had to pay \$82,000 in fees to access that money. All the documents looked good, and the con was a smooth talker.

“He knew how to push my buttons to cause me to give him the money,” Kauhi said.

The businessman was eventually convicted. And while Kauhi was awarded damages, he does not expect to collect anything.

The best way to avoid getting swept up in an offer of phantom riches is to slow down the pitch, Gannon said. Ask a lot of questions and check the answers with the proper authorities. “Asking questions gets you out of that emotional state and puts you back in control,” he said. Be sure to ask:

- Is the seller registered with FINRA, the U.S. Securities and Exchange Commission (SEC) or your state securities regulator?

- Is the investment registered with the SEC or your state?

For more information or to order your free “Trick\$ of the Trade” DVD, visit the Foundation’s fraud-fighting website, www.SaveAndInvest.org.