Managing Your Money

You're Never Too Smart To Get Conned

(NAPSA)—Smart people get conned, too. Ask Sarasota, Fla., tax attorney John McKenney.

A lawyer for more than 20 years, he represents clients in front of the IRS and prepares tax returns for local businesses. He knows his way around a balance sheet and the complexities of the tax code. He also lost $250,000 in an alleged Ponzi scheme.

"There are a lot of people around here that lost a lot more money than I did who were smarter and more experienced investors," McKenney said.

The common misconception about investment fraud victims is that they are gullible, unsophisticated or financially illiterate. But research conducted for the FINRA Investor Education Foundation and AARP reveals just the opposite is true.

The survey of more than 300 investors, half of whom were victimized by fraud, showed that victims tend to be higher income, college-educated, self-reliant and more financially knowledgeable than nonvictim investors.

"Many investment fraud victims are professionals," said FINRA Foundation president John Gannon. "They're doctors, lawyers, stock brokers, businessmen. In fact, the typical investment fraud victim is a well-educated male between the ages of 55 and 65."

The problem, said Robert Cialdini, a psychologist at Arizona State University and an expert on the psychology of persuasion and influence, is that your own self-confidence lowers your guard.

"If you think you're invulnerable to these things, your defenses come down and you become more vulnerable as a consequence," he said. "So those individuals who have the background and experience, who think they know what constitutes a trick and what doesn't, then open themselves up to the possibility of being tricked because they're sure that they can spot it and resist it. Oftentimes they are wrong."

Many fraud victims, including John McKenny, think they are invulnerable because they are more financially knowledgeable, but that's not the case.

Research shows that a better predictor of whether you or someone you know might be a future fraud victim is risky investing behavior, such as:

- Owning other high-risk investments.
- Relying on friends, family or co-workers for advice.
- Openness to new investment ideas.
- Failing to check backgrounds and registrations of professionals or products.
- Inability to spot the persuasion tactics con artists use.

You can test your susceptibility to fraud by using the Foundation's Risk Meter at www.SaveAndInvest.org. The website also provides information on spotting and avoiding fraud, as well as information on where to get help.