

INVESTMENT FRAUD TARGETS SENIORS

About 15% of the U.S. populations are people aged 60 or older. However, 30% of all frauds are committed against this group and over 45% of investment fraud has a senior as its victim. Obviously fraud artists target seniors and their money

A. Why Seniors?

Seniors are targeted for four main reasons.

1. They frequently will have access to cash, credit, or assets such as a home that represent a valuable target of opportunity.
2. Seniors were raised to be polite and trusting, positive traits except when dealing with crooks.
3. Seniors will often not report a crime due to shame or fear they may be viewed as incompetent. Also, they may not know who to report it to.
4. When they do report a crime, the older victim often makes a poor witness who cannot supply the detailed information the police need to prosecute.

B. Types of Investment Fraud

The North American Securities Administrators Association (NASSA) has identified the top 10 traps for senior investors. In alphabetical order, they are

1. Affinity Fraud - Criminals target religious, ethnic, cultural, professional groups. They pretend to be a member to gain trust.
2. Foreign Exchange Trades – Even legitimate foreign investments are complicated and only for knowledgeable investors. Most people should avoid these.
3. Internet Fraud – Scam artists use the internet to “pump and dump” stocks. Through unsolicited emails, blogs, instant messages, etc., they use the internet to inflate the price of a low value stock, then dump their own shares, making money at the expense of the last investors.
4. Investment Seminars – Crooks often use these to promote investments unsuitable for seniors.
5. Oil and Gas Scams – These are complicated deals, promising high rewards. Currently these are popular due to the high energy prices.
6. Prime Bank Schemes – Offer you high yield, and/or tax free returns by investing with offshore banks. Banks offering these types of investments do not exist. Your money just disappears.
7. Private Security Offerings – Investments that are not fully registered. They may be legitimate, but are often associated with fraud, and are always much too complex for the unsophisticated investor.
8. Unregistered Real Estate Investment Contracts – are often viewed as sure things with not downside risk. It is best to stick with fully regulated securities and avoid the unregistered ones.
9. Unlicensed Individuals – May try to sell you or advise you on your investments. Strict federal and state requirements protect you so be sure to deal only with licensed advisors.
10. Unsuitable Products – Scam artists will often try to sell products the provide the highest commissions for them, even if not appropriate for the investors situation.

C. Tips to Avoid Problems

1. Know what you are buying
 - Stick with registered, publicly traded products. Unless you are a sophisticated investor, stay with U. S. securities.
 - Ask for and read all the literature. If you don't understand the offering, don't invest.
 - Don't relax; keep watch on your money. If you have questions, be sure to ask, and keep asking until you understand the answers. Honest advisors welcome an involved client, and will answer questions willingly and patiently.
2. Know who you are dealing with.
 - Always use brokers and advisors licensed by the state. Check with Wisconsin's Department of Financial Institutions (www.wdfi.org/fi/securities, 608-261-9555)
 - Check the person and firm on the Wisconsin Circuit Court website (www.wicourts.gov) to see if any legal actions have been taken against them.
 - Ask for references from long term clients and check them out. Better yet, deal with advisors that friends and relatives have used for a long time (3+ years). Fraud artists can't keep a scam going forever.
 - Don't be taken in by appearances. Scam artists are actors; they look good so they won't be questioned. Always ask questions. Scam artists don't like being questioned. It slows them down and they will go elsewhere.
3. Protect Yourself
 - Stay in charge of your money. Do not let con artists "take care of everything" for you. Do not sign blanket forms.
 - Avoid "fear factor" sales pitches. Con artists love to play on your fears.
 - Statistically, older women are more likely to be victims of financial fraud than older men. Educate yourself and don't take advice unless you understand what is going on.
 - Don't let crooks into your home via the computer, the radio, TV, or the telephone. If you are contacted about a "great deal", just deal with it as you would any unsolicited offer. Don't get hooked.
 - If you are a victim, call the sheriff's office or your local police department and provide them with all your documentation.
 - Learn what the frauds look like. Go to the FBI (www.fbi.gov/majcases/fraud/seniorsfam.htm) or NASSA (www.nassa.org) websites and read the descriptions of current frauds.

The best defense against financial investment fraud is to take your time. Question everything, educate yourself, ask for advice and help from those you trust, research all offers, and never let yourself be rushed into making a decision. Honest advisors always welcome questions; scam artists fear them. Remember, good, honest, investment opportunities never disappear overnight. Good, sound investments will still be there after you have taken the time to understand what is being offered.