

If no sound dial: 1(877) 337-3597 ID Code 12232332

Outsmarting Investment Fraud



SaveAndInvest.org

AARP®



FINRA
Investor Education
FOUNDATION

How Big is the Problem?

Recent Major U.S. Cases:

- ▶ Golden Summit Group – \$21 million Ponzi scheme
- ▶ Bernard Madoff – \$50 billion ponzi scheme
- ▶ Stanford Investments alleged \$8 billion ponzi scheme
- ▶ Greater Ministries – \$500 million in losses – 18,000 victims
- ▶ Hundreds of cases with losses in the \$10-\$50 million range

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Section One

Understanding Investment Fraud Risk Factors



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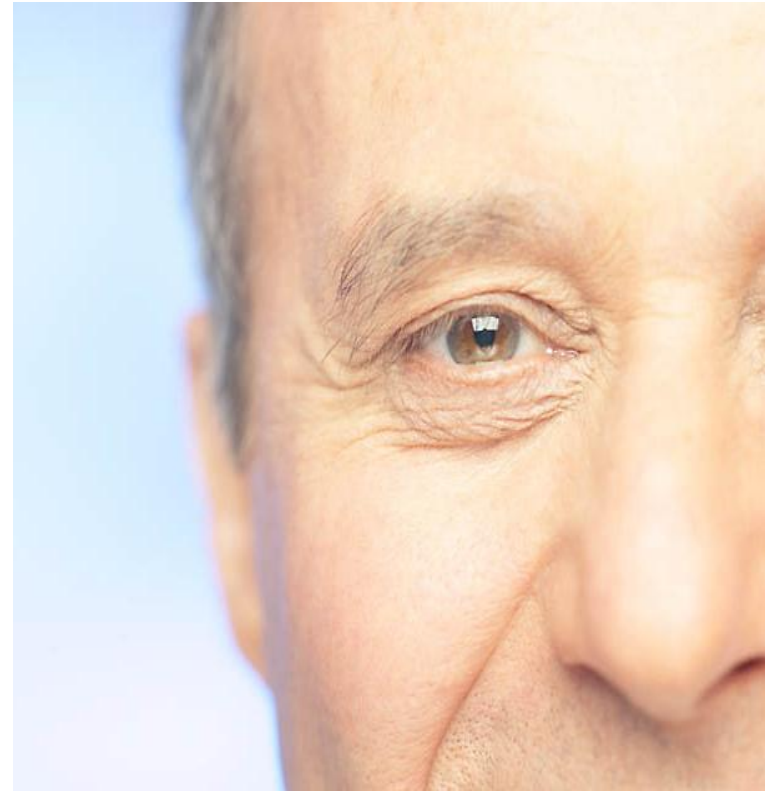


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Who is Victimized?

Victim demographic trends:

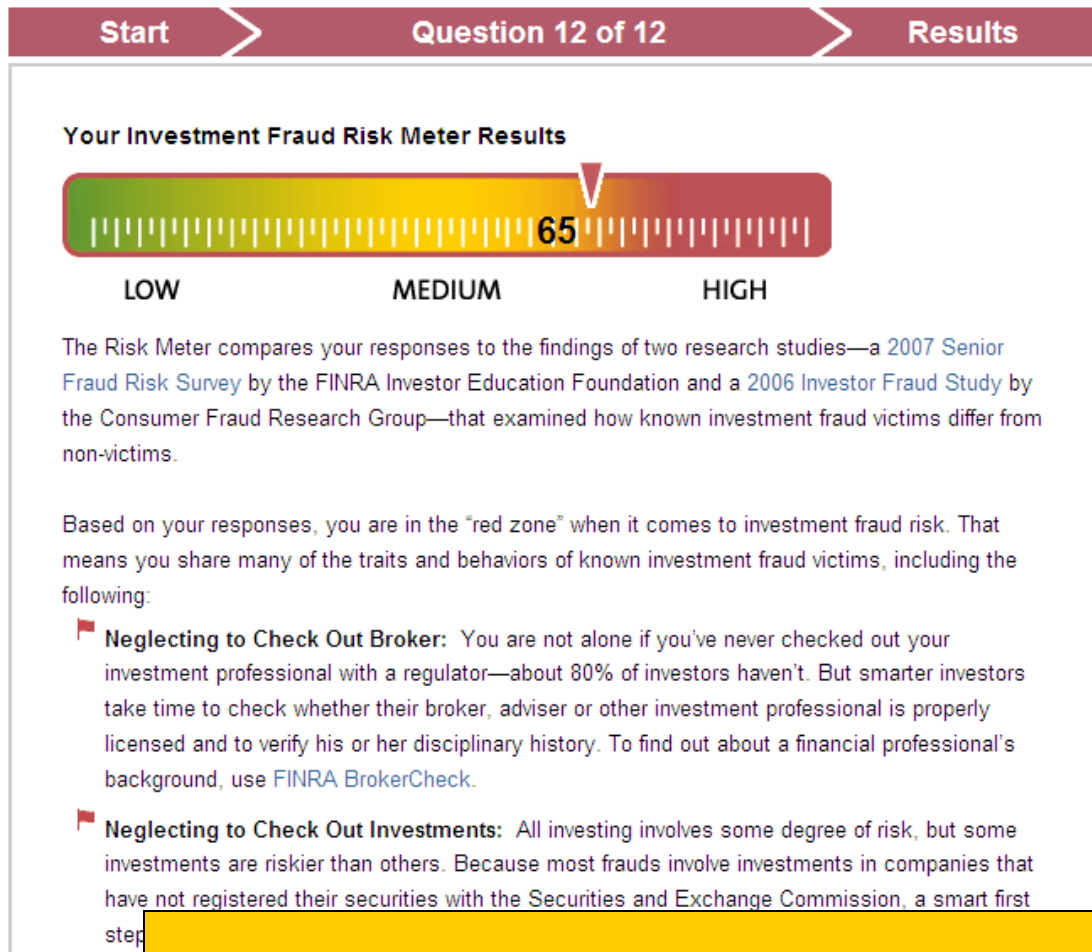
- ▶ Male
- ▶ Married
- ▶ 55-65 years old
- ▶ More financially literate
- ▶ College-educated
- ▶ Recent change in financial or health status
- ▶ Higher income
- ▶ Risk-takers



Key Risk Factors

- ▶ Own high-risk investments
- ▶ Relying on friends, family, co-workers for advice
- ▶ Open to new investment information
- ▶ Failing to check background and registration of financial professional and product
- ▶ Inability to spot persuasion used by fraudsters

Investment Fraud Risk Meter



Are you a high-risk candidate for fraud?

- 12 Simple Questions
- Research-based
- Identifies Areas of Concern for You
- Provides Detailed Explanations and Resources

www.SaveAndInvest.org/meters/risk

Section Two

Learning to Spot Persuasion



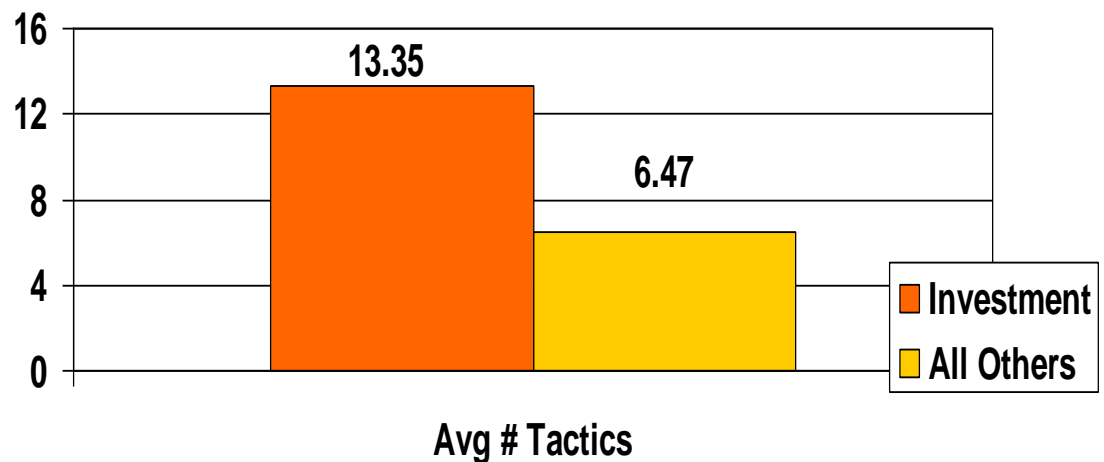
Persuasion & Investment Fraud

Analysis of over 300 undercover fraud tapes

Most frequently used persuasion tactics:

- ▶ Phantom Riches
- ▶ Source Credibility
- ▶ Social Consensus
- ▶ Reciprocity
- ▶ Scarcity

Average # Total Tactics per Transcript



Persuasion Tactics

Phantom Riches – Dangling the prospect of wealth; something you want but can't have.

“300% in the next 90 days. It's opportunity knocking. We have a well that is coming in at 1,000 barrels.”



Red Flag Rule—Phantom Riches

Take some time to assess how you are reacting to images of phantom riches. If you feel your heart starting to pound faster or your emotional state heightened...

WATCH OUT!

Persuasion Tactics

Source Credibility – It is better to deal with credible people or individuals in positions of authority.

“I am a senior vice president here with an MBA and certified to deal with seniors and I believe this is exactly the right product for you.”



Red Flag Rule—Source Credibility

Credibility can be faked. Check out the actual qualifications of the source of information. If the source is not an expert on the product being promoted or the claims cannot be independently verified...

WATCH OUT!

Persuasion Tactics

Social Consensus – If everybody wants it, it must be good.

“With gas prices soaring, everyone is demanding alternative sources of energy.”



Red Flag Rule—Social Consensus

Think about whether YOU are interested in the product. If a sales presentation focuses on how many others have bought the product or how there is a line running around the block...

WATCH OUT!

Persuasion Tactics

Reciprocity – Doing a small favor in return for a big favor.





Red Flag Rule—Reciprocity

If someone does a small favor for you like offers you a free lunch, book or video, don't automatically do a **BIG** favor for them.

Persuasion Tactics

Scarcity – If something is rare or scarce, it must be more valuable.

“This offer is good for today and today only. We’ve got to move now if you want in on this deal.”



Red Flag Rule—Scarcity

Take some time to evaluate the offer. If a sales person tells you there is a limited time in which you can decide to buy or that there are only a limited number of items left...

WATCH OUT!

Section Three

How to Prevent Investment Fraud



Preventing Investment Fraud

1. Reduce your exposure to sales pitches from con men.



www.aarp.org/nofreelunch

Preventing Investment Fraud

1. Reduce your exposure to sales pitches from con men.
 - a. Use care with free lunch or dinner seminars
 - b. Avoid high-risk investments
 - c. Develop a “refusal script”
 - d. Sign up for the National Do Not Call Registry

www.donotcall.gov or 888-382-1222

Preventing Investment Fraud

2. Look for persuasion red flags.
 - a. Phantom Riches
 - b. Source Credibility
 - c. Social Consensus
 - d. Reciprocity
 - e. Scarcity

Preventing Investment Fraud

3. Ask and check the registration status of the professional and investment.
 - ▶ ASK if they are licensed to sell the investment and if the product is registered
 - ▶ CHECK that they are licensed and the product is registered – SaveAndInvest.org or **(888) 295-7422**

Where to Check

| If they say they are a... | Check here... | |
|--|---|---|
| Broker | FINRA BrokerCheck | www.SaveAndInvest.org (888) 295-7422 |
| Investment Professional and Product | State Securities Regulator | www.nasaa.org (202) 737-0900 |
| Investment Adviser and Product | Securities and Exchange Commission (SEC) | www.sec.gov or www.investor.gov (800) SEC-0330 |
| Insurance Agent | State Insurance Commission | www.naic.org (866) 470-6242 |

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BRIAN J. SMITH

CRD# 4977892

Currently employed by and registered with the following FINRA Firms:

XYZ & SONS, INC.

805 SOUTHWEST INDUSTRIAL WAY

SUITE 101

BEND, OR 97702

CRD# 4

Registered with this firm since: 8/10/2005



[VIEW FULL PDF REPORT](#)

Report Summary for this Broker

The report summary provides an overview of the broker's professional background and conduct. The individual broker, a FINRA-registered firm(s), and/or securities regulator(s) have provided the information contained in this report as part of the securities

888-295-7422

• 16 U.S. states and territories

Is this broker currently suspended or inactive with any regulator? **No**

This broker has passed:

- 0 Principal/Supervisory Exams
- 1 General Industry/Product Exam
- 1 State Securities Law Exam

Registration and Employment History

This broker was previously registered with the following FINRA firms:

reported by or about this broker to CRD as part of the securities industry registration and licensing process. Examples of such disclosure events include formal investigations and disciplinary actions initiated by regulators, customer disputes, certain criminal charges and/or convictions, as well as financial disclosures, such as bankruptcies and unpaid judgments or liens.

Are there events disclosed about this broker? **No**

Professional Designations

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Understanding Professional Designations

-- Please Select a Record --

CWSS – Certified Wealth Smart Strategist
FAD or CMA – Financial Analyst Designate
FRM – Financial Risk Manager
FSS – Financial Services Specialist
MCEP – Master Certified Estate Planner
MFP – Master Financial Professional
PFS – Personal Financial Specialist
PPC – Professional Plan Consultant
PRP – PLANSPONSOR Retirement Professional
PRPS – Personal Retirement Planning Specialist
QFP – Qualified Financial Planner
QPFC – Qualified Plan Financial Consultant
RFA – Registered Financial Associate
RFC – Registered Financial Consultant
RFP – Registered Financial Planner
RFS – Registered Financial Specialist
RIS – Retirement Income Specialist
RPA – Retirement Plans Associate
SRFP – Senior Registered Financial Planner
WMS – Wealth Management Specialist

Senior Specialists'

of senior-oriented designations
its Industry Practices to Serve these Customers

from referencing nonexistent or self-conferred degrees or designations or referencing legitimate

stant, Financial Planner, Investment Consultant or Wealth Manager are generic terms or job
signation.

Before you engage an investment professional, make sure you know more about an investment professional than just their name and professional designation. Here are some steps you can take to find an investment professional that can meet your financial needs:

Think about your financial objectives and know what type of financial services you need. There is a wide variation in the range of products and services that investment professionals offer. Some professionals can provide financial statement preparation and analysis, investment planning, tax planning, estate planning, retirement planning, education planning, and risk management services. Other professionals may only be able to recommend a limited number of investment products. Knowing what you need will not only help you find the professional that's right for you, but prevent you from paying for services you don't want.

Get names of professionals from friends, neighbors, family or business colleagues. If you receive a name of an investment professional from an individual or group that you don't know, be certain to ask for several references.

Talk with several professionals. Meet them face-to-face in their offices, if possible. Ask each of them about their:

- Areas of specialization
- Professional designations

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Find Companies

Become a Fraud Fighter

*Now that you are a trained fraud fighter,
we need your help to warn others.*

- ▶ Become a Free Lunch Monitor – www.aarp.org/NoFreeLunch
- ▶ Send “Trick\$ of the Trade” documentary to at least two others
– www.SaveAndInvest.org/TricksoftheTrade
- ▶ Become a Create the Good Fraud Fighter –
www.CreateTheGood.org/fightfraud

THANK YOU!

We're happy to take your questions



John Gannon
President
FINRA Investor Education Foundation



Christine Kieffer
Senior Director
FINRA Investor Education Foundation



Andrés Castillo
Project Manager
AARP – Financial Security

Before You Invest, Ask and Check

SaveAndInvest.org

