



Fighting Fraud 101

Smart Tips for Investors



SaveAndInvest.org

Unfortunately, in this world we must always be on the lookout for people looking to get something for nothing. Our ancestors faced this problem too, and sadly this contributed to their suffering. Many were swindled of land, personal belongings, and other valuable resources. So while it's important to draw strength from tradition, we must also learn from the trials of the past.

Fraudsters tend to go “where the money is”—and that means targeting people receiving per capita payments, trust fund payments, or lawsuit settlements. Fraudsters also have in their sights older Americans who are nearly or already in retirement, and members of tribal investment committees.

Common tactics include:

- **The “Social Consensus” Tactic** – leading you to believe that other savvy investors have already invested. “This is how ___ got his start. I know it’s a lot of money, but I’m in—and so is my mom and half of her church—and it’s worth every dime.”
- **The “Source Credibility” Tactic** – trying to build credibility by claiming to have worked with other tribal members or tribal investment committees, or having a special credential or experience. “Believe me, as someone who has helped out a lot of tribal investment committees, I know a good deal when I see one.”
- **The “Reciprocity” Tactic** – offering to do a small favor for you in return for a big favor. “I’ll give you a break on my commission if you buy now—half off.”
- **The “Scarcity” Tactic** – creating a false sense of urgency by claiming limited supply. “There are only two units left, so I’d sign today if I were you.”
- **The “Phantom Riches” Tactic** – dangling the prospect of wealth, enticing you with something you want but can’t have. “These gas wells are guaranteed to produce \$6,800 month in income.”

Investment Fraud

Protect Yourself

If these tactics look familiar, it's because legitimate marketers use them, too. But one key difference is that real deals will still be there tomorrow. So always take the time to stop and think before making a decision.

Here are three key strategies you—or anyone you know who fits the profile of a potential fraud target—can use to help distinguish good offers from bad ones:

1 End the conversation

Practice saying “No.” Simply tell the person, “I am sorry, I am not interested. Thank you.” Or tell anyone who pressures you, “I never make investing decisions without first consulting my _____. I will contact you if I am still interested.” Fill in the blank with whomever you choose—your spouse, uncle, investment professional, attorney or accountant. Knowing your exit strategy in advance makes it easier to leave the conversation, even if the pressure starts rising.

2 Turn the tables and ask questions

A legitimate investment professional must be properly licensed, and his or her firm must be registered with the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) or a state securities regulator—depending on the type of business the firm conducts.

In addition, with very few exceptions, companies must register their securities with the SEC before they can sell shares to the public. So, before you give out information about yourself:

Ask:

- Are you and your firm registered with FINRA?
- Are you registered with the SEC?
- Are you registered with a state securities regulator? Which one(s)?
- Is this investment registered with the SEC or my state securities regulator?

Check:

Verify the answers by checking the seller's background. Visit **SaveAndInvest.org** or call (888) 295-7422.

Or use these other helpful resources for more information about:

- **An investment professional or firm:**
FINRA BrokerCheck
www.finra.org/brokercheck
(800) 289-9999
- **An investment adviser:**
SEC Investment Adviser Public Disclosure Database
www.adviserinfo.sec.gov
- **Any investment seller:**
North American Securities Administrators Association
www.nasaa.org
- **An insurance agent:**
State Insurance Commission
National Association of Insurance Commissioners
www.naic.org

Check: *(continued)*

Check out the investment and confirm what the salesperson tells you using the SEC's EDGAR database of company filings:

For investments:
SEC's EDGAR Database
www.sec.gov/edgar.shtml

Also, call your state securities regulator to find out what they know about the company.

See the tear-off "Resources" panel for more information.

3 Talk to someone first

Be extremely skeptical if the person promoting the deal says, "Don't tell anyone else about this special deal!" A legitimate investment professional won't ask you to keep secrets.

Even if the seller and the investment are registered, it's always a good idea to discuss these sorts of decisions with family or a trusted financial professional.

Take Your Name Off Solicitation Lists

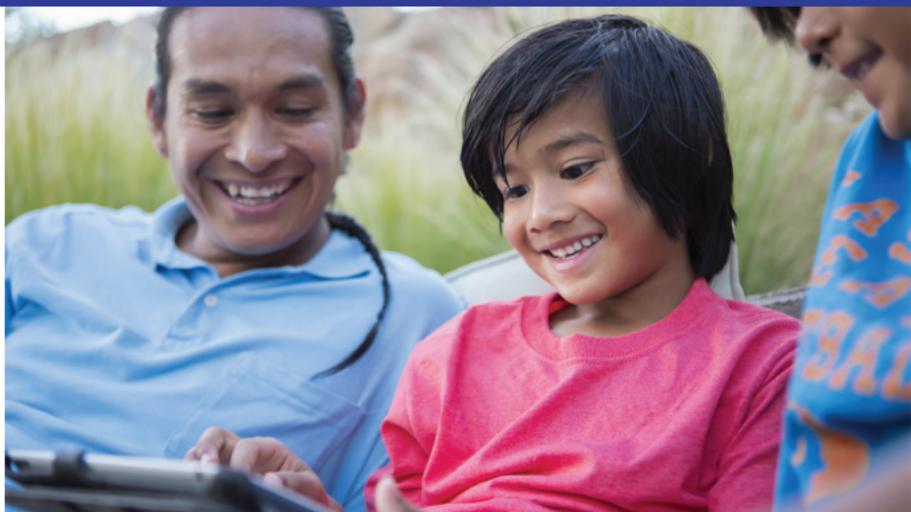
One easy step you can take to reduce the number of sales pitches you receive is to take your name off of telemarketing and junk mail lists. Businesses that advertise or market their products and services directly to consumers typically purchase or compile their own lists of potential customers.

The answer to “how did they get my name?” is fairly simple: local phone listings, community group listings, casino mailing lists, casino winners that are publicized, donations to political or charitable organizations, alumni listings and a host of other sources. Online advertisers use “cookies,” which are small data files that track information about you, such as your Web browsing patterns and items you’ve put into online shopping carts.

Here’s how to cut the clutter:

- **Telemarketing Calls**
www.donotcall.gov
or call toll-free (888) 382-1222
- **Direct Mail and Email Offers**
www.dmachoice.org
- **Credit Card Offers**
www.optoutprescreen.com
or call toll-free (888) 567-8688
- **Online Cookie Collecting**
www.networkadvertising.org

Most legitimate businesses—including securities firms—will honor your request. So, if you receive a solicitation after taking the steps above, you should be all the more skeptical of the offer.



Who We Are

FINRA, the **Financial Industry Regulatory Authority**, is an independent regulatory organization empowered by the federal government to ensure that America's 90 million investors are protected. The mission of the **FINRA Investor Education Foundation** is to provide underserved Americans with the knowledge, skills and tools necessary for financial success throughout life. FINRA and the FINRA Investor Education Foundation do not sell investment products, promote products or firms or offer specific investment advice. The FINRA Foundation's Investor Protection Campaign, **SaveAndInvest.org**, is a targeted effort to reduce the incidence of investment fraud among investors by teaching the tactics most commonly used by fraudsters and the simple steps every investor can take to reduce their risk. Become a Fraud Fighter—visit **SaveAndInvest.org**.

The U.S. Securities and Exchange Commission's Office of Investor Education and Advocacy has reviewed this publication. The SEC does not endorse any particular investment product, service, profession, professional or brokerage firm.

If a Problem Occurs

If you believe you have been defrauded or treated unfairly—or if you suspect that someone you know has been taken in by a scam—be sure to send a written complaint to a securities regulator.

Here's where you can turn for help:

FINRA Complaints and Tips

9509 Key West Avenue
Rockville, MD 20850
Fax: (866) 397-3290
www.finra.org/complaint
www.finra.org/fileatip

U.S. Securities and Exchange Commission (SEC) Office of Investor Education and Advocacy

100 F Street, NE
Washington, DC 20549-0213
Phone: (800) 732-0330
Fax: (202) 772-9295
www.sec.gov/complaint.shtml

State Securities Regulator

North American Securities
Administrators Association
Phone: (202) 737-0900
www.nasaa.org

U.S. Commodity Futures Trading Commission (CFTC)

Office of Cooperative Enforcement
1155 21st Street, NW
Washington, DC 20581
(866) 366-2382
www.cftc.gov/tiporcomplaint

Resources

Before you invest, ask and check. Visit or call:

SaveAndInvest.org
(888) 295-7422

Or use these other helpful resources for more information about:

Investor education program:
**First Nations Development Institute's
InvestNative**
www.investnative.org
www.firstnations.org

A broker, firm or investment adviser:
FINRA BrokerCheck
www.finra.org/brokercheck
(800) 289-9999

A broker, investment adviser or investment:
**North American Securities
Administrators Association**
www.nasaa.org
(202) 737-0900

An insurance agent:
National Association of Insurance Commissioners
www.naic.org
(866) 470-6242

**A commodities/futures/foreign
exchange dealer:**
National Futures Association—BASIC Check
www.nfa.futures.org/basicnet
(800) 621-3570

An investment:
SEC—EDGAR Database
www.sec.gov/edgar.shtml or
www.investor.gov

Protect Yourself from Investment Fraud

Always take the time to stop and think before making an investment decision. Here are three key strategies you can use to help distinguish good investment offers from bad ones:

- 1. End the conversation:** Simply tell the person, “I am sorry, I am not interested.” Or tell anyone who pressures you, “I never make investment decisions without first consulting my ____.” Fill in the blank with whomever you choose. And don’t worry about missing out—real deals will still be there tomorrow.
- 2. Turn the tables and ask questions:** Before you give out information about yourself, or sign on the dotted line, ask, “Are you a licensed broker? Is that investment registered?” Then check out the seller and the investment using the resources on the back of this card.
- 3. Talk to someone first:** Even if the seller and the investment are registered, it’s always a good idea to discuss these sorts of decisions with family or a trusted financial professional.

Learn more at [SaveAndInvest.org](https://www.saveandinvest.org):

SaveAndInvest.org is a free service from the financial authorities at the FINRA Investor Education Foundation—helping protect you from investment fraud and providing information to help you confidently handle your finances.

Keep this card somewhere handy!



SaveAndInvest.org
1735 K Street, NW
Washington, DC 20006-1506
www.SaveAndInvest.org
(888) 295-7422