

TEN TIPS TO AVOID INVESTMENT FRAUD

1. Check out the person touting the investment. Alabama law requires most securities and the people selling them to be registered. Check them out with the Alabama Securities Commission BEFORE YOU INVEST by calling 1-800-222-1253.
2. Beware of high-pressure tactics. Say "no" to any person who presses you to make an immediate investment decision. You need time to do your own research.
3. Exercise particular caution if you lack financial experience. Ask lots of questions and insist that the sales person explain the investment until you understand it.
4. Remember, good manners do not indicate personal integrity. Con artists are generally very polite, knowing that most of us equate courtesy with integrity. Swindlers also count on your good manners to keep you from cutting them off. Hang up if you don't like the conversation!
5. Watch out for sales people who prey on your fears. Swindlers commonly pitch their schemes as a way to eliminate your financial fears for the future.
6. Exercise particular caution if you are an older investor. The elderly, and particularly older women, are a frequent target of scam artists.
7. Monitor your investments. Insist on regular written reports and look for signs of excessive or unauthorized trading of your account. Look out for trouble when retrieving your principal or cashing out profits. If any person with whom you have invested stalls when you want to withdraw your money, you may have uncovered someone who is cheating you.

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8. Report investment fraud or abuse immediately, despite any embarrassment or fear you may feel. If you suspect you have been victimized, call the Alabama Securities Commission at once.

9. Beware of "reload" scams. To recoup their losses, victims sometimes invest in another scheme (a "reload") in which the con artist promises to make good on the original loss and may offer new, higher returns. Often, the result is only more losses.

10. Contact the Alabama Securities Commission for inquiries regarding securities broker-dealers, agents, investment advisors, and investment advisor representatives, the registration status of securities, to report suspected fraud, or obtain consumer information:

Call: 1-800-222-1253 or (334)242-2984

Fax: (334) 242-0240 or (334)353-4690

Email: asc@asc.alabama.gov

Write: Alabama Securities Commission P.O. Box 304700
Montgomery, AL 36130-4700



ALABAMA SECURITIES COMMISSION
POST OFFICE BOX 304700
MONTGOMERY, ALABAMA 36130-4700
TELEPHONE: (334) 242-2984 OR 1-800-222-1253 FAX: (334)
242-0240 EMAIL: ASC@ASC.ALABAMA.GOV WEBSITE:
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Social Networking

Social networking in the Internet age allows people to connect to one another quicker and easier more than ever before. Investment promoters increasingly are logging on to find investors ... and their money.

Before investing through a social network, ask yourself these questions:

Have I verified that the promoter is legitimate? Do I understand the risks of the investment?

What are social networks?

A social network is a group of individuals (or organizations) who are connected through common interests, hobbies, lifestyles, relationships, faith or other beliefs. Websites such as Facebook, Twitter, LinkedIn, eHarmony and other online social networks and communities have made it faster and easier for users to meet, interact and establish connections with other users anywhere in the world.

Offline, social networking involves making these connections through membership in community service organizations, professional associations, faith-based organizations, multi-level marketing opportunities and singles groups, among others.

While social networking helps connect people with others who share similar interests or views, con artists infiltrate these social networks looking for victims. By joining and actively participating in a social network or community, the con artist builds credibility and gains the trust of other members of the group.

How do con artists exploit social networks?

In traditional social networks, con artists use the weekly or monthly meetings to establish strong bonds through face-to-face contact and sharing of personal interests and lifestyles.

In online social networks, a con artist can establish this trust and credibility more quickly. The scammer has immediate access to potential victims through their online profiles, which may contain sensitive personal information such as their dates or places of birth, phone numbers, home addresses, religious and political views, employment histories, and even personal photographs.

The con artist takes advantage of how easily people share background and personal information online and uses it to make a skillful and highly targeted pitch. The scam can spread rapidly through a social network as the con artist gains access to the friends and colleagues of the initial target.

What are the red flags of an online investment scam?

Online investment fraud has many of the same characteristics as offline investment fraud. Learn to recognize these red flags:

- **Promises of high returns with no risk.** Many online scams promise unreasonably high short-term profits. Guarantees of returns around 2 percent a day, 14 percent a week or 40 percent a month are too good to be true. Remember that risk and reward go hand-in-hand.

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What are the red flags of an online investment scam? *(Continued)*

- **Offshore operations.** Many scams are headquartered offshore, making it more difficult for regulators to shut down the scam and recover investors' funds.
- **E-Currency sites.** If you have to open an e-currency account to transfer money, use caution. These sites may not be regulated, and the con artists use them to cover up the money trail.
- **Recruit your friends.** Most cons will offer bonuses if you recruit your friends into the scheme.
- **Professional websites with little to no information.** These days anyone can put up a website. Scam sites may look professional, but they offer little to no information about the company's management, location or details about the investment.
- **No written information.** Online scam promoters often fail to provide a prospectus or other form of written information detailing the risks of the investment and procedures to get your money out.

How can I protect myself from fraud in social networking?

- **Contact the Alabama Securities Commission before investing any money.**
- **Protect your personal information.** Many sites will allow you to choose how much personal information you want to make publicly accessible, and how much you want to keep private. Adjust privacy and security settings accordingly, and think twice before posting personal information online.
- **Search the names of all persons and companies connected to the investment being offered.** The Internet offers anonymity and scam artists take advantage of this. Do a search for the name of the person offering you the investment and the companies involved in the investment. If there are few results, or their name doesn't appear anywhere outside of the one investment program they're offering you, that's a red flag that they may be using multiple aliases, or hiding behind a fake identity.
- **Beware of the use of names or testimonials from other group members.** Scam artists frequently pay out high returns to early investors using money from later arrivals. This type of scam is a Ponzi scheme. Fraud aimed at groups of people who share similar interests is called affinity fraud.
- **Obtain a prospectus.** Ask for written documentation that details the risks of the investment and procedures to get your money out.
- **Do not take the word of a salesperson.** Don't feel pressured to "act now." Take time to check out the investment yourself, and remember the old adage: "If it sounds too good to be true, it probably is."

Before you invest:

Evaluate every investment opportunity in the virtual world the same way you would in the real world and **contact the Alabama Securities Commission**. ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

Note: Article background provided courtesy of the North American Securities Administrators Association (NASAA). The Alabama Securities Commission is a member of NASAA, the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. For more information about NASAA go to their website at: www.nasaa.org.



ALABAMA SECURITIES COMMISSION (ASC)

POST OFFICE BOX 304700

MONTGOMERY, ALABAMA 36130-4700

Telephone: (334) 242-2984 or 1-800-222-1253. Fax: (334) 242-0240

Email: asc@asc.alabama.gov Website: asc.alabama.gov

Red Flag Phrases for Investment Fraud

- ♦ “Guaranteed to double your money”
- ♦ “Low risk for high returns”
- ♦ “You should act right now; this is a limited-time offer.”
- ♦ “It takes advantage of a little-known loop hole in tax laws.”
- ♦ “Keep this investment secret - we don’t want to let everyone in!”
- ♦ “To get the most from this investment opportunity, you can borrow money or take out a mortgage and be set for life.”
- ♦ “I’m calling from outside Alabama with an investment opportunity.”
- ♦ “This is an off shore investment opportunity.”

Questions to Ask Yourself

- ♦ Did I initiate this meeting?
- ♦ Is this person recommended by someone I trust?
- ♦ Is this person and the company registered to sell securities in my state?
- ♦ Have I been provided with written information on the investment?
- ♦ Have I been encouraged to borrow in order to invest?
- ♦ Do I understand that higher returns equal higher risk?

Questions to Ask Yourself (Continued)

- ♦ Why is this supposed to be secret?
- ♦ Have I verified this information with a trusted source such as the ASC?
- ♦ Is this a “Real” opportunity to help me achieve my long-term financial goals?

Prevention Tips

- ♦ Check the licensing/registration of the seller and product offered by contacting the ASC.
 - ♦ Check to see if any enforcement action has been taken against the person offering the investment opportunity.
 - ♦ Check with someone you know and trust before investing any money.
 - ♦ Get written information (but be aware that professional looking information could be produced by the con artist).
 - ♦ Ask lots of questions.
 - ♦ Know how much risk you are willing to take with your investments. Understand how much risk you should be taking given your age, family circumstances and other factors.
 - ♦ Take your time; don't allow anyone to rush your decision-making process.
 - ♦ Never accept a verbal contract.
 - ♦ Never sign anything before reading it carefully and understanding it.
 - ♦ If you are suspicious about an investment offer, contact the ASC.
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How to spot frauds and scams

You've heard the saying "If it sounds too good to be true, it probably is." Common scams change, but you can protect yourself by learning how to spot the red flags that can signal a scam.

1. Promises of guaranteed riches

Scammers dangle the prospect of wealth to convince you to put your money into their deals. When the seller focuses only on how much money you can make, beware.

What you'll hear

"You never have to work again." "No risk."

"You're guaranteed to make money."

The truth

All real investments carry risk. Ask questions about where the profits come from, and what the risks are.

2. Pressure to act right now

Be cautious when you hear a sales pitch urging you to act immediately before an opportunity disappears.

What you'll hear

"This is your chance to get in on the ground floor."

"If you don't take this, someone else will."



The truth

The fraudster may be trying to keep you from thinking carefully, researching, and talking to your family or a trusted adviser.

3. Special opportunity just for you

Be careful when someone claims to have inside information that's not available to others. Keeping information secret is a sign there's something the scammer doesn't want others to see.

What you'll hear

"This product is top secret." "I have inside information that no one else knows."

The truth

A legitimate adviser gives you written disclosures, answers your questions, explains risks, and

discourages you from buying anything you don't understand.

4. You've won!

Scammers say you've won the lottery or another big prize, but to collect, you have to pay an up-front fee or tax. Or, you'll be invited to a "free lunch" seminar that's marketed as educational, when in fact it's a staged sales event.

What you'll hear

"Congratulations, you've won the lottery!"
"Come to a free dinner."

The truth

You can't win a lottery you didn't enter, and you never have to pay to collect a real prize. Some companies offer "free lunch" seminars because they hope giving you something small will make you feel obligated to buy from them.

5. I'm just like you

Promoters sometimes target a particular faith community, social group, or ethnic group and work hard to be accepted, so you're more likely to trust them. They'll ask you personal questions, then use your answers to figure out what sales pitch will most appeal to you.

What you'll hear

"Everyone is making money on this deal."
"Our church friends have all agreed."

The truth

Hucksters know you're less likely to ask questions if you trust them, so they use association with your friends, faith community, or social group as a shortcut to earn your trust.

6. I'm specially trained

To earn your trust, salespeople tell you they have special certifications, qualifications, or credentials. They want you to think they're experts who know what's best for you.

What you'll hear

"I'm an expert adviser." "I've been managing these kinds of investments for two decades."
"I'm a certified specialist."

The truth

Credentials alone don't guarantee expertise or the quality of someone's training. It's up to you to find out if a qualification is valuable.



ALABAMA SECURITIES COMMISSION

Affinity Fraud and Scams to Look Out For



AFFINITY FRAUD

Affinity fraud is an investment scam that preys upon members of identifiable groups like churches, the elderly and professional groups. The con artist is commonly a member of the group they are trying to scam.

SWEETHEART

A sweetheart scam occurs when a new love interest says they love you, but they are really just after your money. If you've never met in person, and they ask for money - run the other way!



FREE LUNCH

There's no such thing as a free lunch! Con artists will offer free lunch seminars, but will use high pressure sales tactics to convince you to give up your hard earned money.



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Contact

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Instagram: [shecan.alsecuritiescommisison](https://www.instagram.com/shecan.alsecuritiescommisison)

The Alabama Securities Commission is a member of the North American Securities Administrators Association (NASAA), the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. For more information about NASAA go to their website at: www.nasaa.org.