

INVESTORALERT



“Free Meal” Investment Seminars: Perform a Careful Review to Avoid Heartburn

Have you ever received an invitation to an investment seminar? Perhaps the invite offered information about a specific type of investment, tips on estate planning or ways to manage money in retirement. If you have, there is a good chance the invitation came with a free meal at a nice restaurant.

While some free meal seminars are educational, with the goal of providing balanced information, others are offered for one reason: to sell you something. In some cases, the seminar is the initial “soft sell” to introduce you to the product. A more direct sell might come later, during subsequent contacts from the person or firm selling the product.

The following three tips can help you avoid making a purchase you regret down the road.

Learn to Spot Persuasion Tactics. Tactics designed to pique interest in a product or service are used in all sorts of sales efforts, from promoting ink for your printer to pitching investments for your portfolio. Here are four persuasion tactics and influence techniques that sellers, both legitimate and not-so-legitimate, often use:

- ▶ **PHANTOM RICHES**—dangling the prospect of wealth, enticing you with something you want, and getting you to visualize it before you have it: “These gas wells will generate \$3,800 a month in income.”
- ▶ **SOURCE CREDIBILITY**—trying to build credibility by looking professional (wearing a nice suit) and claiming to be a reputable authority or expert. “As a senior vice president of XYZ Firm, I would never sell an investment that doesn’t perform very well.”
- ▶ **SOCIAL CONSENSUS**—leading you and your fellow seminar attendees to believe that other savvy investors have already invested. “I know it’s a lot of money, but I’m in this investment and so are some of the most successful people in this city.”
- ▶ **RECIPROCITY**—providing something that makes you feel obligated to reciprocate. It might start with a free meal, but include other offers: “I’ll give you a break on my commission if you buy now.”

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FRAUD IS REAL

Be extremely wary of hard-sell techniques to “buy now” and of speakers who play the “scarcity” card, telling you that only limited quantities of an investment remain. Be highly suspicious of speakers who tout “no risk” investments or “guaranteed returns.” Such tactics are designed to make you act on emotion rather than with reflection and may signal fraud.

For more information about investment fraud, go to: www.finra.org/investors/protect-your-money/avoid-fraud

Take Charge. If you do attend a free meal seminar, come prepared. Here are three tactics to help you spot fraud and distinguish potentially good investment offers from bad ones.

1. **DO YOUR HOMEWORK BEFORE THE SEMINAR.** If securities are being recommended or sold, check if the speakers and the firm are properly registered.
 - ▶ For a broker or brokerage firm, use FINRA BrokerCheck by calling (800) 289-9999 or visit www.finra.org/brokercheck.
 - ▶ For an investment adviser, use the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.
 - ▶ For an insurance agent, check with your state insurance department. You’ll find contact information through the National Association of Insurance Commissioners (NAIC) at www.naic.org.
 - ▶ You can also call your state securities regulator by contacting the North American Securities Administrators Association (NASAA) at (202) 737-0900 or www.nasaa.org.
2. **ASK QUESTIONS WHILE YOU’RE THERE.** If the speaker can’t or won’t answer your questions to your satisfaction, then the investment is not right for you.
 - ▶ What are the risks and how much does it cost to invest?
 - ▶ What, if any, additional or ongoing costs will I have to pay?
 - ▶ How liquid is this investment?
 - ▶ What happens if I decide to sell or cash in my investment? Are there surrender charges or other fees?
 - ▶ Is the investment registered? If so, with which regulator?
 - ▶ Are you and your company registered, if so, which regulator?
3. **DECIDE NOW TO DECIDE LATER.** Savvy investors refuse to be rushed. A good investment will be available tomorrow or next week—or next month. Remember, it’s always OK to say no to an investment—whether you received a free meal or not.

FINRA INVESTOR COMPLAINT CENTER

If you believe that you or someone you know has been defrauded or treated unfairly.

WEBSITE: www.finra.org/complaint

FAX: (866) 397-3290



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WEBSITE: www.finra.org/investor

FINRA Market Data Center

Data on equities, options, mutual funds and a wide range of bonds.

WEBSITE: www.finra.org/marketdata

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A toll-free number that senior investors can call to get assistance from FINRA or raise concerns about issues with brokerage accounts and investments.

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TOLL-FREE: 844-57-HELPS (844) 574-3577

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