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HOW TO STOP

FRAUD

THE ULTIMATE GUIDE
TO **PROTECT YOURSELF**
FROM SCAMMERS
AND CROOKS

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THE FRAUD SQUAD
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INVESTMENT SCAMS

Get-Rich Pitches Get More Creative

BY GERRI WALSH

Scammers wasted no time in 2017 redoubling their efforts to bilk investors. Their basic formula remains the same: Dream up a bogus get-rich-quick investment and persuade susceptible people to buy in. What changes is the nature of the pitches. Scammers especially target retirees who have accumulated wealth from a lifetime of hard work. Their promises seem plausible, and their slick websites and official-looking paperwork can rob even a skeptic of his or her life savings. Going well beyond quick talk, these scams often involve detailed research on targets. But in the end, the promises are empty, and the sophisticated sales techniques are just the trappings of well-worn cons. Here's how you can avoid the traps.

BOILER ROOM 'PUMP AND DUMPS'

A high-pressure caller promises to let you in on a "can't-miss" investment opportunity involving a low-priced penny

or microcap stock. The more people who buy shares, the higher the share price rises—until the fraudsters dump their own shares, leaving the rest virtually worthless.

The companies whose stocks are being promoted often play off the latest trend du jour. Today's pitch might tout a green energy company. Next week, it's a company with a new product promising to take an emerging market by storm, such as the e-cigarette or legalized marijuana industries.

Traditionally, scammers worked from a list or dialed randomly, but there is a new twist to this con that doesn't involve cold calls. "Account executives" may contact people who have visited a website that promotes low-priced stocks or publishes an investment newsletter.

RECOVERY SCAMS

Sadly, those who lost money in a financial scam are often targeted a second time. The crook who got you into the failed transaction offers to swap your bad investment for another to recover losses, or offers to buy your shares back at a premium—provided you pay an upfront administrative fee or otherwise provide upfront cash. You are often pressed to take immediate action in calls or letters that appear to be coming from official-

YOUR BEST DEFENSE

Always check the registration and background of any firm or person before investing with them.

—Gerri Walsh

sounding organizations. The documents can look extremely authentic, and criminals have no qualms about impersonating people who work for legitimate organizations. Another ploy—often targeting international investors—is to help you recover your losses for a fee described as a tax, deposit or refundable insurance bond. You pay the fee and the crook vanishes.

PROTECT YOUR CASH

Here's how to outwit financial con artists.

1. Use FINRA Broker

1. Check to verify the registration and background of any firm or financial professional. (FINRA is the Financial Industry Regulatory Authority.)

2. Don't do business

2. with unregistered individuals or firms, and **be suspicious of** unsolicited offers to recover money from an investment loss.

3. Use caution

3. visiting unfamiliar financial websites.

4. Do an internet

4. search for alerts or warnings when assessing an investment pitch or a company to invest in.

5. For stock pitches,

5. check the Securities and Exchange Commission's EDGAR database (at sec.gov) to see if the company files with the SEC.

6. If you fear a

6. scam, call FINRA's Securities Helpline for Seniors at 844-57-HELP (844-574-3577).

BINARY OPTIONS

Simply put, a binary option is a type of options contract in which the payout depends entirely on the outcome of a yes-or-no proposition, such as whether the price of a particular asset will rise above or fall below a specified amount. When the option expires, it makes either a prespecified amount of money or nothing at all, in which case the investor loses the entire investment.

That's risky enough. But unregistered firms claiming to trade binary options may not deposit investor funds into the investor's account, may deny requests to return funds or may require the investor to pay to get money back. If you have opened an account, be alert for signs of fraud, including pressure to send additional money and excuses for why the firm cannot credit purported gains to your account or return your funds. Trading binary options is made even riskier by fraudulent schemes, many of which originate outside the United States.

