



Taking Action: Fighting Financial Fraud

Alexandria Senior Law Day

June 22, 2019

Christine N. Kieffer – Senior Director
FINRA Investor Education Foundation

A Call from Ruth



Who We Are

FINRA



- Not-for-profit regulator
- Authorized by Congress
- Mission:
 - investor protection
 - market integrity

FINRA Foundation



- Research and outreach
- Financial capability for all Americans

Prevalence and Impact of Fraud

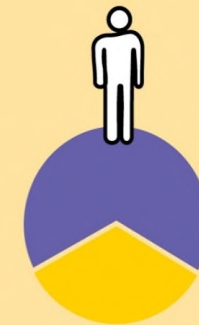
**More than
8 in 10
solicited for
potentially fraudulent offers**



\$50 BILLION
per year lost to fraud



**Americans age 65 and older
are more likely to be targeted**
and 34% more likely to lose
money once targeted than
respondents in their 40s.



NEARLY 2/3
of victims reported
experiencing at least
one non-financial
cost of fraud to a
serious degree.

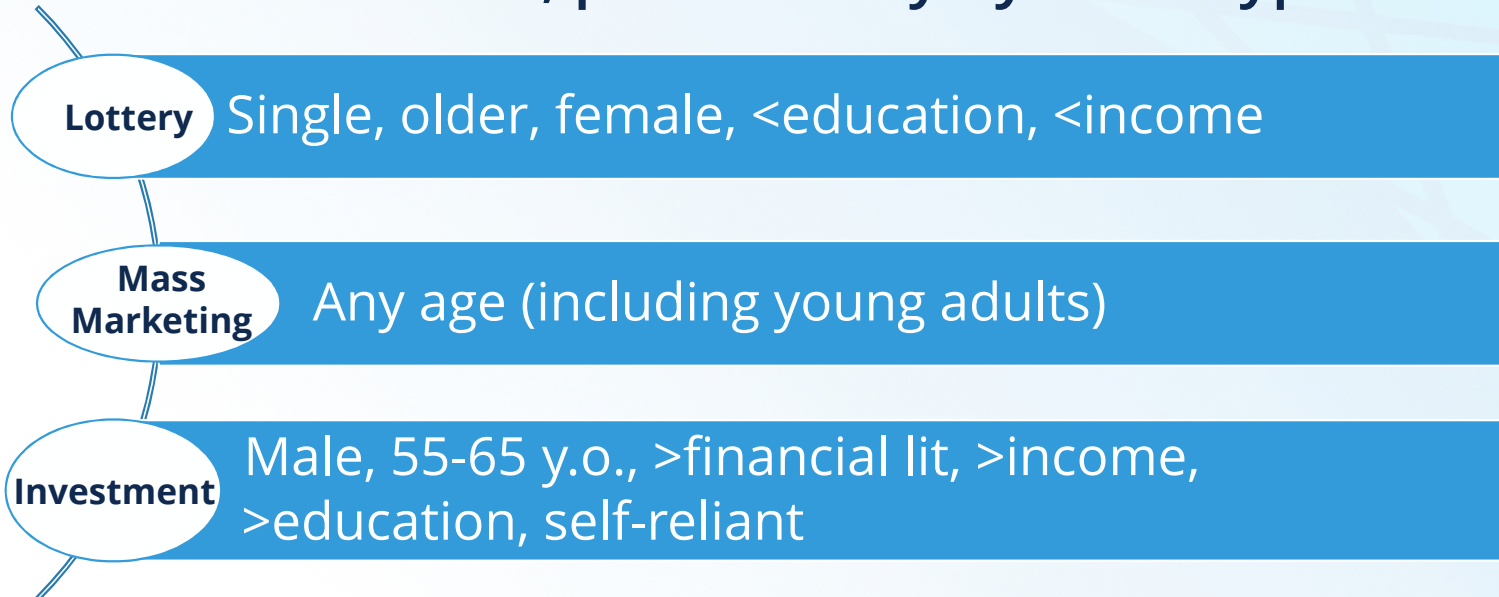
50%	Severe stress
44%	Anxiety
38%	Difficulty sleeping
35%	Depression

Sources: FINRA Investor Education Foundation research reports, *Financial Fraud and Fraud Susceptibility in the United States* (2013) and *Non-Traditional Costs of Financial Fraud* (2015).

FINRA Foundation Copyright 2019

Who's at Risk?

- Anyone can be a victim; profiles vary by scam type



- Engage in certain behaviors:

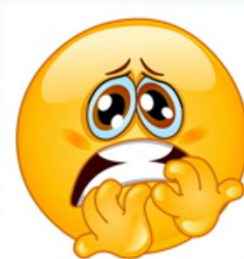


Other Risk Factors

Repeatedly Targeted



Excited!!!



Fearful / Afraid



Angry!

Senate Aging Committee: Top Reported Scams 2018



Nationwide

- 1) IRS Impersonation Scam
- 2) Robocalls/Unsolicited Phone Calls
- 3) Computer Tech Support Scams
- 4) Elder Financial Abuse
- 5) Grandparent Scams
- 6) Romance Scams
- 7) Social Security Impersonation Scam
- 8) Impending Lawsuit Scams
- 9) Identity Theft

In Virginia

- 1) Sweepstakes Scams
- 2) Computer Tech Support Scams
- 3) Grandparent Scams
- 4) Identity Theft
- 5) IRS Impersonation Scam



**Senate
Fraud Hotline
(855) 303-9470**

Source: U.S. Senate Special Committee on Aging, *Fighting Fraud: Senate Aging Committee Identifies Top 10 Scams Targeting Our Nation's Seniors*

Weapons of Fraud

Phantom Riches



Reciprocity



Source Credibility



Social Concensus



Scarcity



SaveAndInvest.org: Risk & Scam Meters

Risk Meter

Start

Question 12 of 12

Results

Your Investment Fraud Risk Meter Results



Low

45

High

The Risk Meter compares your responses to the findings of two research studies—a 2007 [Senior Fraud Risk Survey](#) by the FINRA Investor Education Foundation and a 2006 [Investor Fraud Study](#) by the Consumer Fraud Research Group—that examined how known investment fraud victims differ from non-victims.

Based on your responses, you are in the "yellow zone" when it comes to investment fraud risk. That means you share several of the traits and behaviors of known investment fraud victims, including the following:

- 🚩 **Neglecting to Check Out Broker:** You are not alone if you've never checked out your investment professional with a regulator—about 80% of investors haven't. But smarter investors take time to check whether their broker, adviser or other investment professional is properly licensed and to verify his or her disciplinary history. To find out about a financial professional's background, use [FINRA BrokerCheck](#).
- 🚩 **Inability to Spot Persuasion Tactics:** One in five investors can't spot persuasion. For example,

Scam Meter

Start

Questions

Results

Your Scam Meter Results



Based on your responses, we note the following "red flag" warnings:

Question 1: Which of the following best describes the investment?

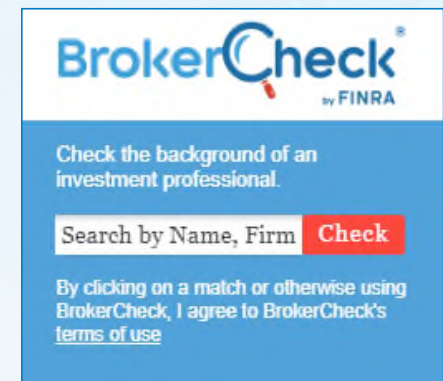
🚩 **A promissory note:** Investors who consider buying promissory notes need to check them out thoroughly. Unlike many investments today, promissory notes sound simple and safe, and appear to be an attractive alternative to volatile stocks. However, while promissory notes can be legitimate investments, some promissory notes sold widely to individual investors are not. FINRA's [Investor Alert](#) on promissory notes provides tips on how to spot legitimate promissory notes and protect yourself from promissory note scams.

Question 2: How did you learn about the investment opportunity?

🚩 **From unrequested materials sent to me in the mail:** Never rely solely on unsolicited information you receive in mail. It's easy for companies or their promoters to make glorified, unsubstantiated claims about new products, lucrative contracts, or the company's revenue, profits, or future stock price. If you throw away non-investment related offers you get as junk mail or faxes, you will be well served to do the same thing with unsolicited investment material as well.

Tips for Handling Scam Attempts

1. **If you didn't solicit it, why did it solicit you?**
2. Cut the clutter/do not engage
3. Develop a refusal script
4. Take a "time out"
5. Be your own devil's advocate
6. Ask and Check – Independent sources
 - Talk to someone
 - Do your homework



Ask Questions; Do Your Homework

**What if this
IS a scam?**

**How can I
verify this info?**

**Do I feel pressured
and emotional?**

**What could
go wrong?**

**Do I have to pay a
fee up front? Or
pay via gift cards?**

**Can I afford to
lose this money?**



Complex Products & Emerging Issues



Variable & Fixed-Index Annuities



Reverse Mortgages



Cryptocurrencies & Digital Assets

Alternative and Complex Products

Investment products abound that offer alternatives to conventional stock and bond investments. These products are sometimes referred to as structured products or non-conventional investments. They tend to be both more complex—and more risky—than traditional investments, and often tempt investors with special features and higher returns than offered by basic investments.

Some examples of complex products include notes with principal protection and high-yield bonds that have lower credit ratings and higher risk of default, but offer more attractive rates of return. Complex products may use futures and options, as well as complicated trading strategies, to achieve investment objectives.

Although these products may have attractive qualities, it is crucial to understand each investment's distinct features, risks and rewards. FINRA's investor alerts and information can help.

The Grass Isn't Always Greener—Chasing Return in a Challenging Investment Environment

Some investors may chase return, meaning they put their assets into riskier and sometimes esoteric products that promise higher yields and returns than they can obtain in more traditional investments. Learn about the risks. >

Alternative Funds Are Not Your Typical Mutual Funds

Alternative or "alt" mutual funds tend to hold more non-traditional investments and employ more complex trading strategies than the buy-and-hold strategy typically used in the mutual fund industry. Be

Structured Notes With Principal Protection: Note the Terms of Your Investment

The retail market for structured notes with principal protection has been growing in recent years. These products often have reassuring names, but they may include some variant of "principal protection guarantee," "absolute return" or similar terms that are not risk-free. >

Leveraged and Inverse ETFs: Specialized Products with Risks for Buy-and-Hold Investors

Leveraged and inverse ETFs typically are

FINRA
Financial Industry Regulatory Authority

Investor Home Prepare to Invest Products & Professionals Protect Your Money Have a Problem? T

Home > For Investors > Products & Professionals > Types of Investments

Initial Coin Offerings and Cryptocurrencies

Digital assets like cryptocurrencies and ICOs continue to evolve and spark interest from Main Street investors. With billions of dollars raised in ICO financings and over a thousand different cryptocurrencies currently available, these rapidly changing markets are tempting for investors. It is also difficult for most individual investors to make sense of these complex investment products and to determine the risk levels associated with them.

Blockchain Technology

You can't discuss virtual currencies for very long without bumping into references to "blockchain." Blockchain is the technology that powers ICOs, the Bitcoin Network and many cryptocurrencies. Find the basics on blockchain here. >

Cryptocurrencies

There are many things to watch out for when considering purchasing or trading cryptocurrencies, such as risks of stolen coins, stock scams and other frauds, and the offer and sale of products that should be registered as securities or commodities. Learn more about the world of cryptocurrencies here. >

Initial Coin Offerings (ICOs)

An ICO is a way for companies to raise money that involves the creation and sale of digital tokens. A certain number of these tokens are sold to investors in exchange for other cryptocurrencies such as bitcoin or other fiat currency like the dollar. Read more about ICOs here. >

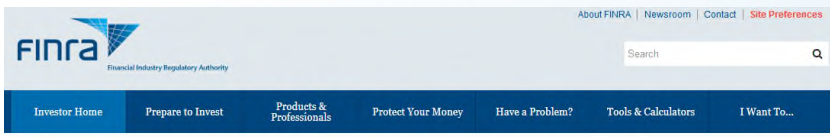
Report a Problem

If you have concerns about ICOs, or suspect a scam related to ICOs or cryptocurrencies, you can contact the SEC or the CFTC. You can also file a complaint using FINRA's online Complaint Center or send a tip to FINRA's Office of the Whistleblower. >

Check Independent Sources



www.FINRA.org



For Investors: Education Is Key to Protection

The Alert Investor

Four Questions to Ask When You're Deciding Whether to Rent or Buy

Since a home purchase is often the single biggest investment many people will ever make, it's important to give the question—buy or rent—serious consideration. If you are wondering what is right for you, here are four questions to ask yourself.

Members of the Military—Save to Retire

Time for a Military Saves Week pep talk. You can do it! We're talking about saving meaningful money toward your retirement. Here are four ways to help achieve a secure retirement.

[MORE >](#)

What You Should Know

INVESTOR ALERT
Beware of Fake Check Scams

NEWS RELEASE
FINRA Foundation Seeks Applicants for Military Spouse Fellowship

INVESTOR
FINRA Foundation Debunks Seven Myths About Millennials and Investing During Washington, DC Public Forum

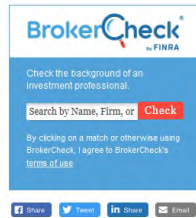
NEWS RELEASE
FINRA Foundation Names 2018 Recipients of First Annual Military Spouse Fellowship Program Awards

[MORE ANNOUNCEMENTS >](#)

I Want To ...

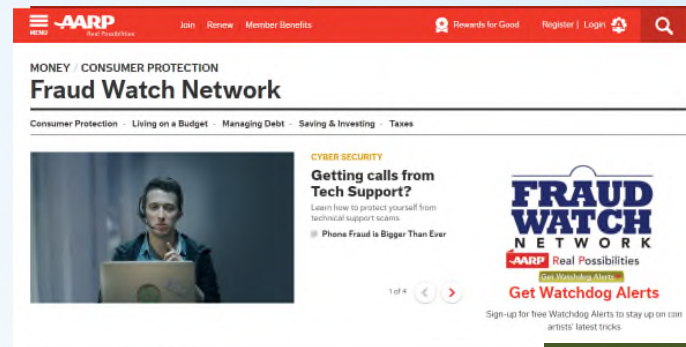
FINRA has resources to help you in these major life steps

- ACT** [Control my Spending](#)
- SAVE FOR** [Save for Retirement](#)
- GET HELP** [Get Help with a Broker Dispute](#)



Tools & Calculators

- [Securities Helpline](#)
- [Fund Analyzer](#)
- [Market Data Center](#)
- [529 Expense Analy](#)
- [Required Minimum Calculator](#)
- [The Alert Investor](#)



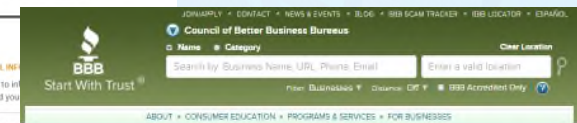
Resources and Help



ADDITIONAL INFO
Get access to info yourself and you

[More Articles at](#)

[Who to Contact](#)



BBB Scam Tracker™

Spot a business or offer that sounds like an illegal scheme or fraud? Tell us about it. Help us investigate and warn others by reporting what you know.

[Report a Scam](#)

Search for Scams

Search using any or all of the fields below:

Keyword

Scam Type

All Scam Types

Country

Canada + U.S.

Date Reported

Feb 13, 2015 In Jun 6, 2017

[Search](#)



Crash Alerts



More Resources from FINRA

FINRA Securities Helpline for Seniors™

A toll-free number that senior investors can call to get assistance from the Financial Industry Regulatory Authority (FINRA) or raise concerns about issues with brokerage accounts and investments.

Call 844-57-HELPS (844-574-3577) Monday – Friday 9 a.m. – 5 p.m. Eastern Time

Are you a senior investor with questions about your brokerage account statement or an investment in a brokerage account? Are you concerned that your account may have been mishandled by a broker? To help you with these and other investment-related questions, FINRA provides the Securities Helpline for Seniors.



**(844) 57-HELPS
(844-574-3577)**

**Monday to Friday
9 am – 5 pm (Eastern)**

INVESTORINFO
How to Find and Work with an Investment Professional

Are you approaching retirement, or recently retired? Have you experienced a major event in your life that has changed your financial situation? Are you just beginning to invest?

These and other situations might have made you think about finding an investment professional. Maybe one has recently contacted you. If so, this resource is for you.

Learn the Basics

- **HOW TO FIND INVESTMENT PROFESSIONALS:** Learn about different types of professionals and how to find them.
- **INVESTMENT PROFESSIONALS:** Learn about the different types of professionals and how to find them.
- **INVESTMENT PRODUCTS:** Learn about the different types of investment products and how to find them.

FOLLOW THESE STEPS

1. **DO YOUR HOMEWORK:** Ask friends, family and colleagues who already invest for the names of people they've used. Even if you get a recommendation, do your due diligence first. Interview multiple investment professionals and don't say "yes" to the first one you interview.
2. **WORK WITH REGISTERED FINRA AND INDIVIDUALS:** Only individuals and firms registered with FINRA, the Securities and Exchange Commission (SEC) and state regulators can sell securities, mutual funds and other investment products.

Check back at www.finra.org/investorinfo

FINRA is available 24/7 at www.finra.org/investorinfo

WHO IS FINRA?
FINRA is the national securities public protector.

INVESTORINFO
Power of Attorney and Your Investments

A Power of Attorney (POA) is a legal document you sign to grant someone you trust with authority to make decisions on your behalf. Based on the authority you grant, you would make it your wish, ability and state to make the POA documents be in writing, witnessed and notarized.

A POA can be important — even essential — to managing your financial affairs in the event you are unable to manage them. For example, a health care POA might allow you to sign a hospital or rehabilitation center for a lengthy period, or you could become mentally incapacitated.

POWER OF ATTORNEY TIPS

- **Don't Let Anyone Pressure You Into Signing a POA** and never let yourself or someone else sign a POA for you.
- **Don't Let Anyone Pressure You Into Signing a POA** and never let yourself or someone else sign a POA for you.

Who's Who

- **PRINCIPAL:** The person granting the POA.
- **AGENT:** The person to whom the POA is granted.
- **POA:** The document that grants the POA.
- **DURABLE:** Steps to effect your intent, and the principal's intent, may be for the future.

How to Avoid Investment Scams

Investment scams can take many forms—and fraudsters can turn on a dime when it comes to developing new pitches for the latest scam. But while the wrapper or hook might change, the most common securities frauds tend to fall into the following general schemes.

- **PONZI SCHEMES:** A central fraudster or "hub" collects money from new investors and uses it to pay purported returns to earlier investors—rather than investing or managing the money as promised. Ponzi schemes require a steady stream of incoming cash to stay afloat.
- **PUMP-AND-DUMP:** A fraudster deliberately buys shares of a very low-priced stock at a small, thinly traded company and then spreads false information to drum up interest in the stock and increase its price. The fraudster then dumps his shares at the high price and vanishes, leaving many people caught with worthless or near-worthless shares of stock.
- **ADVANCE FEE FRAUD:** Generally starts with an offer to pay you an enticingly high price for worthless stock in your portfolio. To take the deal, you must pay some sort of fee in advance. But if you do so, you never see that money—or any of the money from the deal—again.
- **PYRAMID SCHEMES:** Fraudsters claim that they can turn a small investment into large profits within a short period of time—but in reality, participants make money solely by recruiting new participants into the program. The fraudsters behind these schemes typically go to great lengths to make these programs appear to be legitimate multi-level marketing schemes.
- **PROMISSORY NOTE FRAUD:** A promissory note is a form of debt that companies sometimes use to raise money. When sold fraudulently, scammers make false claims about the company, and the terms of the promissory note. Look out for deceptive statements, such as: investors will receive equity, double-digit returns, returns are guaranteed, and, the notes are backed by collateral guarantee them.

WHO IS FINRA?
FINRA oversees the professionals and firms that sell stocks, bonds, mutual funds and other securities products. As a regulator, we can't recommend any particular firm, individual or type of investment professional. Our goal is to equip—and empower—you to weigh your options.

Questions? 

Christine N. Kieffer

FINRA Investor Education Foundation

christine.kieffer@finra.org