Beware Predatory Sales Practices

You’ve saved and invested for your retirement years, which makes you smart — and a prime target for predatory sales practices. Pretty much anyone with money to invest is at risk of being targeted for bad advice, unsuitable products and outright scams.

Most victims of investment fraud are neither vulnerable nor naive. In fact, people who get swept into bad investments tend to be optimistic, self-reliant, college-educated, and have above-average income and financial knowledge. They are open to listening to new ideas or sales pitches, which normally isn’t a bad thing, but can lead them to make bad choices based on their perceived ability to spot a good deal.

Setting the Trap

AARP has listened to hundreds of hours of undercover tapes to study techniques of how criminals lure investors into their traps. They are adept at tailoring their pitch to the psychological profile of their targets. They learn about you by asking seemingly benign questions. The more you share — about your family, health, political views and the like — the more ammunition they have.

Con artists will pepper you with an array of tactics, intending to put you in a haze. Victims often are left wondering what happened, or what they were thinking. Here are the most often-used tactics:

» **Phantom riches:** They dangle the prospect of wealth, high returns or something they know you want but can’t have. “You’re guaranteed to get your money back with 25 percent interest in 90 days.”

» **Source credibility:** They build credibility by claiming to have special knowledge or credentials. “I’ve been in this business for 20 years and I’ve never seen an opportunity like this.”

» **Social consensus:** They want you to believe that many investors want in. “My phone has been ringing off the hook with others getting in on this chance.”

» **Scarcity:** They build a sense of urgency by claiming a limited supply or limited time. “I can only hold this offer open to you today because tomorrow all the shares will be gone.”

» **Reciprocity:** They promise to do something for you, like cut their commission, if you act now.

One way con artists lure people in is through offers to attend a free lunch to hear about investment strategies or managing retirement income. Don’t jump too fast at a free meal — when securities regulators examined 100 of these offers, they found half contained exaggerated or misleading claims. And 12 percent appeared to involve outright fraud. If you do decide to go to one, listen carefully for con tactics.

You can stay up-to-date on investment and other types of fraud by joining AARP’s Fraud Watch Network. Sign up at [www.aarp.org/FraudWatchNetwork](http://www.aarp.org/FraudWatchNetwork).


**Don’t Rush a Decision**

Con artists will give you one reason after another about why you need to part with your money right now. They want to set the hook before you have a chance to get away. So get away. Simply end the conversation and give yourself time and space to make a considered decision.

One way to recognize a legitimate offer, firm or salesperson is that you’ll have a reasonable amount of time to make your decision. They’ll encourage you to verify information, check out their credentials and get in touch with references. You’ll get the time you need to make a decision that makes you feel comfortable.

**Verify the Product and the Professional**

Legitimate investment professionals must be properly licensed and their firms registered with the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) or a state securities or insurance regulator. Where they are registered depends on the services and products they provide.

With few exceptions, the companies must also register their investment products with the SEC before they can sell that financial offering to the public. Always ask, “Are you and your firm registered with FINRA, the SEC or a state securities regulator?” Then verify the answers:

» You can get state-level information about the person and firm that are looking to sell a product, and the product itself, by contacting your state’s securities or insurance regulator. This information is available through the North American Securities Administrators Association at [www.nasaa.org](http://www.nasaa.org) or the National Association of Insurance Commissioners at [www.naic.org](http://www.naic.org).

» Look up the investment product through the SEC at [www.sec.gov](http://www.sec.gov) or [www.investor.gov](http://www.investor.gov).

» Go online to [www.finra.org/brokercheck](http://www.finra.org/brokercheck) to look into the background and conduct of an individual or firm, and whether they’ve received complaints.

**Take Action!**

- Practice your exit line. Knowing how you would end a conversation makes it easier to cut short a sales pitch. Try a simple, “No, I can’t make a decision today.”


- If you are the victim of investment fraud, report it so you can help make sure it doesn’t happen to anyone else. You can file a complaint at [www.finra.org](http://www.finra.org). Type “investor complaint center” in the search box.

- Stay informed about investment and other types of fraud by joining AARP’s Fraud Watch Network. Sign up at [www.aarp.org/FraudWatchNetwork](http://www.aarp.org/FraudWatchNetwork).

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