Tips for Avoiding Investment Fraud

You know the old adage, that if it sounds too good to be true then it probably is, right? While it applies to everything from used car sales to weight loss programs, it really hits home in the investment world. Get rich quick schemes never go out of style, so it’s important to keep up your guard when something sounds just too good to be true. A great way to keep up to date on the latest investment scams is to join AARP’s Fraud Watch Network at www.aarp.org/FraudWatchNetwork.

What to Listen For
Investment fraud can come by way of an acquaintance or someone you’ve never met who sounds really convincing. They betray themselves in several ways. If you hear any of these statements, proceed with great caution:

“Your profit is guaranteed!”

“It’s an amazingly high rate of return.”

“There’s absolutely no risk.”

“You can get in on the ground floor.”

“You’d be a fool to pass this by!”

“You have to act today.”

“It’s a secret investment tip just for you.”

“I’ll get you the paperwork later.”

“If you hear any lines like these, stop before you act. You have every right — and plenty of resources — to check out the offer.

Is the Investment Legitimate?
Here are some tips on how to find out if an investment is legitimate:

1. Run it through the “scam meter.”
The Financial Industry Regulatory Authority (FINRA) has an online tool it calls the “scam meter.” You answer a few questions, and get a report listing potential red flags. Click on “scam meter” from www.finra.org/investors/ToolsCalculators.

2. Look up the person.
The person offering the investment needs to be licensed in your state to sell investment products. And, the type of license the person holds needs to match the service or product being offered. For example, an insurance agent may be licensed to sell insurance but can’t recommend or sell securities. Here are ways to research investment and insurance professionals:

» Head over to the North American Securities Administrators Association online at www.nasaa.org to find out how to contact your state’s securities regulator.

» Check out www.finra.org/brokercheck for information about an individual or firm’s professional background and conduct, and whether they’ve received any complaints.

» Look up insurance agents licensed to operate in your state through the National Association of Insurance Commissioner’s website, www.naic.org.
3. **Look up the investment.**
Many investments must be registered with your state securities regulator or the Securities and Exchange Commission (SEC). If the potential investment is not properly registered, don’t invest.

4. **Look into the details.**
Even if the product is registered, you need to carefully consider if it is the right kind of investment for you. Are you comfortable with the level of risk, your ability to access your funds and the length of time before you’ll see a return? Some investing opportunities charge excessive withdrawal penalties if you need to get to your money.

5. **Cut down on the noise.**
If you’re getting unwanted solicitations, consider adding your phone number to the “Do Not Call” registry at [www.donotcall.gov](http://www.donotcall.gov). You’ll stop getting those pesky phone calls and hang ups about a month after you sign up. You can also go there to file a complaint if you’re still getting calls.

6. **Get regular updates on investment fraud.**
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).

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**Take Action!**

- Join AARP’s Fraud Watch Network at [www.aarp.org/FraudWatchNetwork](http://www.aarp.org/FraudWatchNetwork).
- If an investment seems fishy, run it through the “scam meter” for potential red flags at [www.finra.org/investors/ToolsCalculators](http://www.finra.org/investors/ToolsCalculators).
- Look up investment professionals and companies at [www.finra.org/brokercheck](http://www.finra.org/brokercheck) and through your state securities regulator. Find contact information at [www.nasaa.org](http://www.nasaa.org).
- Look into the investment product at [www.sec.gov](http://www.sec.gov). Type “EDGAR” in the search box. (EDGAR stands for Electronic Data Gathering, Analysis and Retrieval.)
- You can look up insurance agents licensed in your state through [www.naic.org](http://www.naic.org).
- Add your number to the “do not call” list at [www.donotcall.gov](http://www.donotcall.gov) to cut down on phone solicitations.
- If you are the unfortunate victim of a fraud, please remember to report it to law enforcement or the appropriate state agency 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.