COMMON INVESTMENT SCAMS AND IDENTIFYING CHARACTERISTICS

THE PUMP…

- A hot stock tip is given regarding a company you have never heard of, or an industry that is poised to grow.
- The perpetrators might call you, leave you a mistaken voice mail, send you an email, text message, or fax.
- They entice people to buy the stock, artificially driving the price up.

…& DUMP

- They sell their stocks at a profit.
- The stock then crashes, and you are stuck with worthless stock!

PONZI SCHEMES

- A Ponzi scheme promises abnormally high returns ("profits") to investors out of the money paid in by subsequent investors.

- You might be approached by someone in your group who has been fooled.
  - Eventually, there are no new investors and the scheme collapses!
- Key Identifiers:
  - Sky-high returns – “You'll make 50%” or “Double your money!”
  - Illiquid – there will be a delay in trying to get your money out – or the returns will not be available for a fixed period of time.
**Pyramid Schemes**

- Involve the exchange of money *primarily for recruiting other people*, often without any product or service being delivered.
- They are non-sustainable, meaning most everybody involved in it will **LOSE money**.
- Key Identifiers:
  - You make money by enrolling others.
  - Little information given unless you participate.

**Viaticals**

- A viatical settlement is the sale of a life insurance policy by the policy owner before the insured dies.
- Policies are then resold to investors with the promise of high returns.
- Many fraudulent practices associated with viaticals:
  - Reselling policies several times.
  - Allowing policies to lapse.
  - Unrealistic mortality estimates.
  - Middlemen walking away with the $$.