

## Fraud Bingo Master & Supplement Sheet – *Beginner*

- F 1 Ask for recommendations in writing.
- F 2 Been victimized? Call the Pennsylvania Department of Banking & Securities at 1-800-PA-BANKS (1-800-722-2657) or 1-800-600-0007.
- F 3 Billions of dollars a year are lost to investment fraud.\*
- F 4 Keep copies of all financial documents.
- F 5 Many victims of financial fraud are smart and well-educated.\*
- F 6 If it sounds too good to be true, it probably is.\*\*
- F 7 Low risk and high returns usually do not go hand in hand.
- F 8 Older persons are most likely to be targets of investment fraud.\*
- F 9 Check your financial statements for accuracy.
- F 10 Know your investments.
- F 11 Don't be drawn by appearances; scam artists know the importance of first impressions.\*\*
- F 12 Obtain a prospectus or other written information when making an investment.\*
- F 13 Keep in mind that good manners don't indicate personal integrity.\*\*
- F 14 Senior Specialists - what are their credentials and what do they mean?\*
- F 15 If you become an investment fraud victim, let the authorities know.
- R 16 Don't rely on testimony of others, regardless of how well you know them.
- R 17 Be leery when contacted by someone you don't know about an investment.
- R 18 Very few people ever get money back from illegal securities dealers.
- R 19 Don't fall for a promise over the phone.
- R 20 Think twice about sending your money offshore.
- R 21 Don't give out personal information because of an unsolicited sales pitch.\*
- R 22 Not all investments are suitable for every investor.
- R 23 Read the fine print before you sign up.\*\*
- R 24 Hang up on high-pressure sales pitches.
- R 25 Ask to have information sent. Check it out!
- R 26 Diversify your investments: Don't put all your eggs in one basket.
- R 27 Is the company or person registered to sell securities in your state?\*\*\*
- R 28 Log on to [www.nasaa.org](http://www.nasaa.org) for the Senior Investor Resource Center.
- R 29 If you suspect an unsuitable investment, get your concerns on the record.
- R 30 No questions are dumb or silly when it comes to your hard earned money.
- A 31 Understand what your adviser is allowed to sell you.
- A 32 Be very skeptical of people who promise big profits.\*\*
- A 33 Make sure you understand the fees and the way your adviser makes money.\*
- A 34 Set goals and stick to them.
- A 35 Know your goals before choosing your investments.
- A 36 Know how much risk you're willing to take and how much money you're willing to lose.
- A 37 Resist high pressure sales tactics.
- A 38 Take your time and ask for written information.
- A 39 Don't give a second chance to a scam artist.
- A 40 Before you send money, talk to a friend or advisor.
- A 41 Don't send money to anyone who insists on immediate payment.

## **Fraud Bingo Master Sheet – *Beginner* (continued)**

- A 42 Keep information about your bank accounts and credit cards to yourself.\*
- A 43 When in doubt, check out the company.
- A 44 If you are a victim of fraud, report it.\*\*
- A 45 Report investment scams to the Pennsylvania Securities Commission.\*\*
- U 46 If the sales person cannot give you detailed answers, hang up!
- U 47 If in doubt, say "NO!" Trust your instincts.
- U 48 It is much less risky to hang up.
- U 49 If you are told the investment should be kept a secret, walk away.
- U 50 Learn the signs of investment fraud.
- U 51 A registered securities dealer doesn't guarantee that you will receive good service.
- U 52 Scam artists use Internet tools such as unsolicited email to spread false information.
- U 53 Affinity fraud - "I'm like you so you can trust me" scam.\*\*
- U 54 Promissory notes - a promise isn't always a promise.
- U 55 Financial crimes can be as devastating as violent crimes.\*\*
- U 56 Red flag: "Risk free."
- U 57 Red flag: "Guaranteed."
- U 58 Red flag: "Limited time offer"
- U 59 Be alert when you hear "Last chance, you must act now." Hang up!
- U 60 Tax preparers and insurance agents must have a license to sell you securities.
- D 61 If you don't understand how the investment works, don't buy it.
- D 62 Nigerian Letter Scam, promising millions for help with foreign business exchange.\*
- D 63 Ponzi Schemes - Only Ponzi promoters get rich.\*
- D 64 Many scams are just variations on older themes.\*\*
- D 65 Educate family and friends on how to identify and act against investment fraud.
- D 66 Don't let embarrassment or fear keep you from reporting investment fraud.
- D 67 If you discover a problem with your finances, act quickly.
- D 68 Never buy an investment under pressure - sleep on it.
- D 69 Your money is your responsibility.
- D 70 Investment seminars may offer free dinner, but there is no such thing as a free lunch.
- D 71 Understand the risks of viatical and life settlements.\*
- D 72 Seniors are the number one target of investment fraud.\*
- D 73 There is no such thing as a "no risk" investment.
- D 74 Be careful. Recovering your money is very difficult.
- D 75 Free investment advice is worth what you paid for it.

## **\*SUPPLEMENTAL INFORMATION - Beginner**

**F 3** For the 2004-2005 reporting period, the North American Securities Administrators Association (NASAA) collected data showing that state regulators had ordered \$911 million to be returned to investors who had been defrauded. Additionally, they levied \$61 million in fines and penalties, and criminals were sentenced to 935.26 years incarceration.

**F 5** A recent study actually showed that elderly victims of investment fraud are more financially literate than non-victims.

**F 8** Twenty-eight percent of all complaints to state securities regulators come from seniors. Also, 34 percent of all cases of senior investment exploitation involve variable or equity-index annuities.

**F 12** A prospectus is a written report describing an enterprise's business plan that needs to be filed with a securities regulator. It contains information on the company's operations, securities, management, and purpose of the offering.

**F 14** Becoming a "Chartered Senior Financial Planner" only requires that a licensed insurance agent takes a 3-day course with an open-book exam. A "Certified Senior Advisor" means that the person took a three-and-a-half day live class or studied online, with no prerequisite experience. A "Certified Retirement Financial Advisor" needs only a 4-day classroom course, or the person can study online. There are many titles, and some require years of experience. Others, however, require a few hours and a check to the company giving out the titles.

**R 21** Giving out your personal information can lead to identity theft – the most common type of fraud today. Identity theft affects an estimated 9 million people yearly, or one case every three seconds, and costs the average victim \$6,383.

**A 33** There are three major categories of financial planners. A fee-only adviser is either salaried or charges a certain amount to create a financial plan. Without products of his or her own to sell, the planner avoids a conflict-of-interest related to commissions. A fee/commission planner makes some money from commissions earned on the products used to implement their plans. The third type is commission planners, who charge no fee but receive commissions on all products that they sell. They provide convenience with one-stop shopping, and commissions have to be paid no matter where the products are purchases, but they create conflicts-of-interest between what you want and what they want.

**A 42** See R 21.

**D 62** Nigerian letter scams, despite their suspicious content, have worked for many years to swindle money from many people. The sender usually has engaged in kickbacks, over-billing, or over-invoicing activities that have led to millions of dollars on deposit in the Central Bank of Nigeria. The letter, or email, states that the money can only be released to a foreign party, and you have been selected to "free" the money, as long as you pay an advance fee of taxes, notary fees, and legal fees. Additionally, you are supposed to give your name and bank account numbers and other personal information so they can make the transfer and give you a substantial percentage of the money. Thousands of people have lost money to this scam and other "advance-fee" ones, too.

**D 63** Ponzi Schemes were named after Charles Ponzi, who in the early 1900's ran a scheme that had people investing in postal coupons. When he realized that he couldn't actually make a legitimate profit, Ponzi started paying off his initial investors with the money that newer investors were giving him, while taking a large cut himself. He had promised to double people's money, and when those first investors received the money they had been promised, they invested even more money in the scheme and told all of their friends to invest, too. This pyramid scheme continued to work, as long as he could find new investors to pay off the older ones. In the end, he couldn't find any, and investigators caught on to his scheme. Nonetheless, Ponzi schemes now bear his name, and they continue today to surface everywhere, as fraudsters pay early investors with subsequent investors' money.

**D 71** A viatical settlement contract involves an owner selling a life insurance policy for a lump sum so that he or she can reap the benefits of the policy while still living. The new owner will pay the premiums and collect the death benefits when the insured passes away. Investing in viaticals means purchasing an interest in the policies. It can be a very risky investment, as the

rate of return depends on when the insured dies. Viatical settlements are also not liquid investments, and there is the risk that the death benefit may not be paid for various reasons.

**D 72** See supplemental comments for **F 8**.

**\*\*SPECIFIC EXAMPLES OF SCAMS AND INDIVIDUAL SCAM ARTISTS - *Beginner***

F 6 Greater Ministries

F 11 Jamin Epstein

F 13 W. Michael Altman

R 23 Allen Perry

R 27 Yucatan

A 32 Frank Fiascki

A 44 Debbie Madosky

A 45 Eagle Cash

U 53 The Polka King

U 55 Robert Atkinson, Sr.

D 64 New Era