

Are You an Informed Investor?

The Next Big Thing

*At first glance, **marijuana**, **binary options**, and **digital currency** appear to have no real connection to one another. But what they all have in common is their recent emergence as three investments that both sellers and buyers hope will become the “next big thing.” Before you consider investing, make sure you understand what these products are, their benefits, and their risks.*

Marijuana Investments

As more states and jurisdictions clarify their legal definitions on the growth and use of medical and recreational marijuana, an increasing number of companies focused on the marijuana industry are seeking funds from investors. Still illegal at the federal level and in many states, there are several factors that investors should be aware of when it comes to marijuana investment opportunities.

- The emerging marijuana market is highly volatile and only semi-legitimate because regulations for medical and recreational use vary greatly between states and jurisdictions. For this reason, the secondary market for these kinds of investments is limited and investors may have difficulty recouping their money. In some cases, the business may be forced to cease operations by law enforcement, leaving investors with no recourse to recover their funds.
- The standard information investors use to make informed financial decisions is limited for many marijuana investments. For example, since this is an emerging market there would be no specific data on historical trends, making all forecasted profits extremely speculative.
- Due to marijuana’s questionable legal status, there are limited traditional financial avenues for day-to-day and necessary business operational transactions. For example, most banks refuse to open business accounts for these companies, forcing them to transact on a cash-only basis with suppliers and other service providers
- Marijuana investment opportunities could be particularly susceptible to scams, such as “pump-and-dump,” which use misinformation to pressure investors to get in on the “ground floor” thereby pumping up the company’s share prices.

(over)

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Binary Options

A binary option is a simplified options contract that looks more like online gambling than a traditional security or investment. The binary option contract is based on the investor's prediction of an underlying security's value at a predetermined date. There are only two possible outcomes: the investor may receive a fixed amount of money for guessing correctly, or lose the entire investment for guessing incorrectly.

For example, an investor enters into a binary option contract worth \$100 and guesses that Company ABC's stock will rise from its current trading price of \$20 per share to \$25 by a certain date. If the investor is correct, the return is 195% of the contract's original value for a total of \$195 (\$100 + \$95). If the investor is incorrect, the payout is \$0 – a complete loss of the original investment.

- While some binary options are offered on a registered exchange or a designated contract market subject to SEC and CFTC oversight, the amount of Internet-based trading platforms has surged in recent years. Many of these platforms are unregulated or are completely illegal.
- Binary option contracts are an attractive strategy for scammers because they target unsophisticated investors with a simple-to-understand "investment opportunity" and a perceived low entry cost. The contracts can be executed for hourly, daily or weekly terms. Illegal or fraudulent binary option issuers and platforms have refused to pay out on investors' contracts; have stolen and sold investors' personal and financial information, such as bank account and credit card numbers; or have based the platform on software that favors the scammers by generating losing trades for the investor.

Before considering binary options, check with the following regulators to verify registration (click on hyperlinked text below):

- Binary option registration:
[SEC Edgar](#)
- Trading platform registration:
[SEC](#)
[Commodities Trading Futures Commission](#)
- Financial professional licensing:
Contact the [Arizona Corporation Commission-Securities Division](#)

Digital Currency

Bitcoin and other digital currency are poised to be back in headlines again as new exchanges emerge claiming to be licensed and regulated by federal, state, or jurisdictional financial authorities and a growing number of brand-name retailers accepting digital currency as payment for goods and services.

As Bitcoin and other digital currencies attract the attention of private companies and regulators, investors should be aware of the following when approached with potential investment opportunities.

- Digital currency value fluctuates wildly because it is decentralized and often the subject of "breaking" news and rumors.
- Since different countries and jurisdictions have little uniformity on how Bitcoin and digital currency is regulated, scammers will take advantage of the confusion and contradictions to misinform potential investors.
- Hackers are attracted to digital currency because it's intangible, can be difficult to trace, and is vulnerable to cyberattacks.



The bottom line: There are many investment opportunities among the above-mentioned categories, but before making any decisions with your money, ask questions, do your homework and contact your state or federal securities regulator.

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