

# BEFORE YOU INVEST, ASK CHECK.



## How To Spot The Red Flags Of Fraud

Investment fraud criminals use a wide array of sophisticated and highly effective tactics to target and influence prospective victims. The truth is you encounter these tactics every day; they are used by legitimate businesses, in retail stores and in advertisements. Learning to recognize these tactics can help you avoid being a victim.

Read and share these common persuasion tactics with your friends and neighbors to learn what to look for and how to keep a level head when you encounter them.

### Phantom Riches

**Definition:** Dangling the prospect of wealth by enticing you with something you want but cannot have, such as a guaranteed or risk-free investment.

**Example:** These gas wells are guaranteed to produce \$6,800 a month in income.

**Red Flag Rule:** Take time to think through the pitch. What is the salesperson really saying? Is he dangling incredible returns? Guarantees? Is he saying that the investment itself will lead to a different and much better lifestyle? Remember, all investments carry some risk.

### Source Credibility

**Definition:** Trying to build credibility by appearing successful, claiming affiliation with a reputable organization or touting a special credential or experience.

**Example:** Believe me, as a specialist in senior living and an executive at XYZ firm, I would never sell an investment that doesn't produce.

**Red Flag Rule:** A seller may have a corner office, framed diplomas or certificates and wear a suit. But credibility can be faked. Check out the seller's actual qualifications at [www.SaveAndInvest.org/CheckSeller](http://www.SaveAndInvest.org/CheckSeller).

### Social Consensus

**Definition:** Leading you to believe that other savvy investors, like you, have already invested.

**Example:** I know it's a lot of money, but I'm in—and so is my mom and half her church—and it's worth every dime.

**Red Flag Rule:** Does the pitch focus on how many others are interested? Investing is a personal decision. Ask yourself if you are interested in the investment and if the objectives and risks are right for you.

### Reciprocity

**Definition:** Offering to do a small favor in return for a big favor.

**Example:** I'll give you a break on my commission if you buy now—half off.

**Red Flag Rule:** Was the pitch preceded by a free meal, book or video? Do you feel obliged to do the salesman a favor? If someone does a small favor for you, don't feel compelled to do a big favor for them in return.

### Scarcity

**Definition:** Creating a false sense of urgency by claiming limited supply or time, or claiming the opportunity is exclusive.

**Example:** You are one of only a few select investors I've told about this opportunity. But you need to act quickly or it'll be gone.

**Red Flag Rule:** Is the offer good for only a limited time or in a limited quantity? Do you feel as though you are part of a special group for being notified? Take time to evaluate the offer and don't allow yourself to be rushed into making any financial decision. Most legitimate offers will be there tomorrow.