

FINRA Investor Education Foundation **Fighting Fraud Toolkit**



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SaveAndInvest.org

FINRA
Investor Education
FOUNDATION

Dear Colleague:

Thank you for your interest in helping members of your community learn to spot and avoid investment fraud. To help you, the FINRA Investor Education Foundation is proud to offer this Fighting Fraud Toolkit as part of our mission to provide Americans with the knowledge, skills and tools necessary for financial success throughout life.

Every year, investment fraud affects thousands of Americans and accounts for billions in lost savings. And the truth is, regardless of age or circumstance, anyone with money is bound to hear from a fraudster at some point. The good news is that there are simple steps every investor can take to protect his or her finances before making any investment decision.

We created this toolkit as part of a research-based program—including an hour-long documentary, interactive curriculum and printed and online materials—in collaboration with AARP, the U.S. Securities and Exchange Commission (SEC), state securities regulators and noted fraud experts. These materials are the product of extensive research and testing and have been designed to help people:

- Realize they are vulnerable to financial fraud;
- Identify persuasion tactics used by fraudsters; and
- Reduce risky behaviors by asking the right questions and verifying the answers.

Whether you represent a community-based organization or a state securities regulator, we hope you will use the resources in this toolkit and at www.SaveAndInvest.org/FraudCenter to help members of your community learn to spot and avoid investment fraud.

Thank you for your commitment to this effort.

Sincerely,



Gerri Walsh
President, FINRA Investor Education Foundation

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About the Issue

Introduction

Following the legendary Willie Sutton principle, **fraudsters tend to go “where the money is”**—and that often means targeting older Americans who are nearing or already in retirement. Fraudsters also have their sights on the millions of Baby Boomers who have been accumulating retirement nest eggs through company 401(k)s and other retirement accounts.

What’s the problem?

Investment fraud affects **thousands of Americans and accounts for billions in lost savings every year**. This can lead to financial hardship for the individuals and families involved.

What’s the solution?

You can help people in your community **protect themselves by following simple steps**—such as learning to recognize fraudsters’ persuasion tactics, asking questions and verifying the answers.

Who are victims of fraud?

There are common misconceptions about who fraud victims are. Most people picture their grandmother getting swindled by a man with a suitcase knocking on her door asking for money, but this isn’t usually the case.

The truth? Fraud affects everyone. If a person has money, he or she will likely come across someone who will try to coax him or her into “getting in on the ground floor” or “striking while the iron is hot.”

What are the red flags to look out for?

Investment fraud criminals use an array of sophisticated and effective sales tactics to target and influence their prospective victims. Moreover, they adapt their tactics depending on their victim’s situation.

See these persuasion tactics in action in the FINRA Foundation’s [How to Spot Investment Scams in 6 Simple Steps](https://www.Finra.org/InvestorEducation/HowtoSpotInvestmentScamsin6SimpleSteps) video. You can get an in-depth look at each tactic and strategies to reduce one’s risk by watching additional videos at www.SaveAndInvest.org/Fraud/Psychology.

The chart below outlines **five common persuasion tactics—or “red flags”—that fraudsters use**, including examples of what an investor may hear from a fraudster and tips to help investors assess if the pitch is legitimate.

Research funded by the FINRA Foundation found that a majority of fraud victims are financially knowledgeable, highly educated and self-reliant. Learn more at www.SaveAndInvest.org/FraudCenter/Research.

FINRA Foundation-funded research analyzed various scams and fraudsters’ influence tactics. The research team identified the five most common tactics fraudsters use when pitching investments to their victims. Learn more at www.SaveAndInvest.org/Fraud/Psychology.

Spotting the Red Flags of Fraud

With funding from the FINRA Foundation, fraud-fighting experts from the Consumer Fraud Research Group identified the most common persuasion tactics—or “red flags”—used by investment fraud criminals. Five of these tactics are outlined in the chart below.



If these tactics look familiar, it’s because legitimate marketers use them, too. But one key difference is that real investment deals will still be there tomorrow. So investors should always take the time to stop, think and do their homework before making a decision.

To watch or share videos on the Red Flags of Fraud, visit www.SaveAndInvest.org/Fraud/Psychology.

Red Flag of Fraud	Definition	Example	Red Flag Tip
Phantom Riches	Dangling the prospect of wealth by enticing you with something you want but cannot have.	“These gas wells are guaranteed to produce \$6,800 a month in income.”	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?
Source Credibility	Capitalizing on the belief that it is better to deal with credible people in positions of authority.	“Believe me, as a senior vice president of XYZ firm, I would never sell an investment that doesn’t produce.”	A seller may have a corner office, framed diplomas or certificates and wear a suit. But credibility can be faked. A first step is to check to see if the seller is licensed to sell investments at www.SaveAndInvest.org .
Social Consensus	Leading you to believe that if everyone wants it, it must be good.	“I know it’s a lot of money, but I’m in and so are my mom and half her church—and it’s worth every dime.”	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	Offering to do a small favor in return for a big favor.	“I’ll give you a break on my commission if you buy now—half off.”	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	Creating a false sense of urgency by claiming limited supply or limited time. If something is rare, it must be more valuable.	“There are only two units left, so I’d sign today if I were you.”	Is the offer good for only a limited time or in a limited quantity? Take time to evaluate the offer—don’t allow yourself to be rushed into making any financial decision. A legitimate offer will be there tomorrow.

What Prevention Messages Can I Share?

Many investors don't believe they are at risk of becoming a victim. When confronted with fraud prevention information, many mistakenly assume the message is "not for them." However, if you have the right messages and tools, you can make a difference in the lives of many. We've found through our research and outreach that the following messages help protect consumers from fraud.

- ❑ **Risk:** It's important for your community to realize that everyone—including them—is at risk. We offer a couple strategies to help alert investors that they are at risk for fraud.
 - ✓ **Notify people that while they *think* they might not be at risk, they are.** Couple this message with Foundation research about the real face of investment fraud victims at www.SaveAndInvest.org/FraudCenter/FraudStories. We've found that this intrigues and compels the audiences to continue listening.
 - ✓ **Pose the question outright: "Are you at risk?"** Encourage others to use the Foundation's online Risk Meter (available at www.SaveAndInvest.org/Meters/Risk) to find out the answer for themselves.
- ❑ **Persuasion:** It's crucial that your audience understands how savvy fraudsters are and how effective they are at persuading victims. We've found that the following messages work:
 - ✓ **Highlight the "red flag" persuasion tactics** outlined on the previous page.
 - ✓ **Ask, "Is it a scam?"** The Foundation has developed a Scam Meter (available at www.SaveAndInvest.org/Meters/Scam) to help people determine if an investment they are considering shows any red flags, which could indicate it is a scam.
- ❑ **Prevention:** Finally, give people two simple steps they can take any time to reduce their risk of fraud: **"Ask and Check."**
 - ✓ Ask questions—such as "Are you a licensed broker?" and "Is the investment registered?"
 - ✓ Then visit www.SaveAndInvest.org/FraudCenter to verify the answers.



Where Can I Direct People for More Help?

Investors are only able to “Ask and Check” if they know where to get answers. This chart outlines where investors can turn for additional help.

What do I want to do?	Then contact this organization...	through these methods.
Check to see if a financial professional is registered and/or check out his background.	Financial Industry Regulatory Authority (FINRA)	• Visit www.SaveAndInvest.org/CheckSeller • Call (888) 295-7422
Check to see if an investment product is registered.	U.S. Securities & Exchange Commission (SEC)	• Visit www.investor.gov • Call (888) SEC-0330
File a complaint for being defrauded or treated unfairly by a broker or brokerage firm.	FINRA or your state securities regulator	FINRA • File a complaint at www.finra.org/complaint Find your state securities regulator through the North American Securities Administrators Association (NASAA) • Visit www.nasaa.org • Call (202) 737-0900
Alert the authorities of potentially illegal or unethical activity by a broker or brokerage firm, or someone posing as one.	FINRA Office of the Whistleblower or SEC Office of the Whistleblower	FINRA Office of the Whistleblower • Email Whistleblower@finra.org • Call (866) 89-FINRA • Fax (866) 397-3290 • Write to FINRA Regulatory Tips, 9509 Key West Avenue, Rockville, MD, 20850 SEC Office of the Whistleblower • Call (202) 551-4790 • Fax (202) 772-9295 • Write to SEC Complaint Center, 100 F Street, NE, Washington, DC, 20549
File a complaint for being defrauded or treated unfairly by an insurance professional or firm.	National Association of Insurance Commissioners	• Visit www.naic.org
Find ways to combat identity theft.	Federal Trade Commission (FTC)	• Visit www.ftc.gov/idtheft

TOOLS AND RESOURCES

The FINRA Foundation has developed a variety of research-based tools and resources that you can share with your community to teach them how to “Ask and Check.” Whether you’re looking to share simple tips or give a more in-depth presentation, this section explains what materials are available and suggests ways you can use them in your community.



“Trick\$ of the Trade: Outsmarting Investment Fraud”

- ❑ **What Is It?** A free, hour-long documentary on preventing investment fraud. Developed by the FINRA Foundation in partnership with AARP and seen on PBS stations nationwide, this DVD uses stories of victims and perpetrators to uncover the persuasion tactics that cons use to defraud their victims. It also provides basic steps investors can take to defend against fraud.
- ❑ **How Can I Use It?**
 - ✓ Distribute copies of the DVD at community centers, libraries, civic organizations (such as Rotary and Lions’ Clubs), places of worship and local businesses.
 - ✓ Let others know about the DVD by sending a link or announcement in your newsletter or through your social media channels.
 - ✓ Ask your local television station to air the documentary.
 - ✓ Organize a DVD watch party. Host five people at your office or home, or 50 people at a public location in the community. Our partners have approached libraries, community centers, schools and colleges—and have even hosted “premiers” at movie theaters. Regardless of the audience size, consider facilitating a discussion about fraud after the viewing. Use our [Discussion Questions](#) as a guide for facilitating the question-and-answer session.
- ❑ **Where Can I Get It?** Watch the trailer and order copies of the DVD at www.SaveAndInvest.org/TricksoftheTrade.

...at the end of the presentation, at least three attendees came up to us and requested an additional copy of the DVD for their neighbor/friend/relative. They said that hearing our message, knowing we were right here in [the community], and seeing the large ad in their local paper—all on the same day—really drove home the point that this is important information.

—Seniors vs. Crime

Outsmarting Investment Fraud—Printed Materials

- ❑ **What Are They?** FINRA and the FINRA Foundation offer a variety of brochures, investor alerts and handout materials that are ideal for you to distribute to your audience. One key publication is ***Fraud Fighting 101*** (also available at www.SaveAndInvest.org/Fraud101), a brochure that explains the tactics fraudsters use and steps to protect oneself. We also offer investor alerts on a range of topics in both PDF and hardcopy. Templates for **event posters** and **postcards** may be tailored to your event and shared throughout your community. Giveaway items such as **notepads**, **pens** and **playing cards**—a standard deck with a different fraud-fighting message on each card—can reinforce important fraud prevention messages.



- ❑ **How Can I Use Them?** Hand out the brochures and giveaways at local community events and leave them at community centers, libraries, houses of worship and local businesses for people to pick up.

- ❑ **Where Can I Get Them?** Order online at [Outsmarting Investment Fraud Toolkit: Materials Order Form](#).

I consider myself fortunate to have such a fine library of information accessible to me. Although I'm 85 and am a retired partner of a registered investment advisory firm, and before that a stock broker for 10 years, I'm always finding items of value in your materials of which I was not aware.

—Individual Investor

Outsmarting Investment Fraud Curriculum

- ❑ **What Is It?** Developed by experts in the field of fraud and persuasion, this curriculum combines a moderated PowerPoint presentation with hands-on learning activities, including an investor risk quiz, video clips and persuasion spotting exercises. The program is available for presentation by eligible fraud fighters in either 30- or 60-minute versions, with or without video. For presenters without audiovisual resources, a hard-copy flip chart is available.
- ❑ **Where Can I Get It?** Your organization may be eligible to present the curriculum at your events. To see if you qualify, please contact the FINRA Foundation at (202) 728-6964 or email InvestorEducation@finra.org. The curriculum presentation comes with speaker notes and a risk quiz, which should be given to participants at the beginning of an event to assess their potential risk of fraud. Since this is an educational program, no sales presentations are permitted during the program or on the premises at an Outsmarting Investment Fraud event.
- ❑ **How Can I Use It?** Qualified partners have delivered the curriculum to small and large groups of community members at libraries, civic organization meetings, financial education and adult education classes.

By showing the faces of convicted con artists who then explain their techniques puts a face on fraud. The program was successful in conveying to me the myths about the perpetrators and victims of fraud.

—Individual Investor

Risk Meter and Scam Meter

- ❑ **What Are They?** Online tools available on SaveAndInvest.org that allow consumers to assess fraud risk. The Risk Meter helps users determine whether they demonstrate characteristics and behaviors that research shows are correlated with victimization. The Scam Meter will help a user identify if an investment they are considering shows signs of a scam.
- ❑ **How Can I Use Them?** Include a link to these tools on your organization's website, in your organization's e-newsletters or on social media platforms such as LinkedIn, Facebook and Twitter.
- ❑ **Where Can I Get Them?** Visit www.SaveAndInvest.org/FinancialTools to access the Risk Meter and the Scam Meter, and to use other financial calculators.

Risk Meter

Start
Questions
Results

Your Investment Fraud Risk Meter Results



30

LOW
MEDIUM
HIGH

The Risk Meter compares your responses to the findings of two research studies—a 2007 Senior

Scam Meter

Start
Questions
Results

We've all heard the timeless warning "If it sounds too good to be true, it probably is." It's great advice, but the trick is figuring out when "good" becomes "too good." And if you have a good salesperson—or worse, a dishonest one—it gets really hard.

While there's no clear way to know, in just four questions our Scam Meter will help you tell if an investment you are thinking about might be a scam.

Is the investment a scam? Check here.

STAY CONNECTED AND SHARE CONTENT

Stay connected with the FINRA Foundation so that you may continue sharing important investor education information.

Connect With Us

Get the latest news from the FINRA Foundation and our investor protection network:

- ❑ **Sign up for our monthly e-newsletters.** Visit www.SaveAndInvest.org/Subscribe to join.
- ❑ **Like us on Facebook.** Connect with us at www.facebook.com/FINRAFoundation to have our investor protection tips, tools and unbiased expertise delivered right to your page's News Feed.
- ❑ **Follow us on Twitter** at www.twitter.com/FINRAFoundation. Get helpful tips and news from FINRA Foundation President Gerri Walsh. Learn more about Gerri at www.finra.org/AboutFINRA/Leadership/p124564.
- ❑ **Get our Investor Alert RSS feed.** Investor Alerts from FINRA are a great way to keep up to date on investing. The alerts include tips on investment products, fraud and scams, trading securities and more. Visit <http://feeds.finra.org/FINRAInvestorAlerts> to subscribe and learn more.

Share Our Content

Share our unbiased, free content through newsletters, email updates and social media channels.

1. Post videos, tools and alerts on your website

Link from your website to www.SaveAndInvest.org/FraudCenter.

- ❑ **Showcase BrokerCheck:** This free tool allows investors to see if someone trying to sell an investment product is licensed or has any misconduct on his or her record. Find out more at www.SaveAndInvest.org/CheckSeller.
- ❑ **Highlight** our free **“Trick\$ of the Trade: Outsmarting Investment Fraud”** documentary: Include a link to the trailer and order form (available at www.SaveAndInvest.org/TricksoftheTrade).
- ❑ **Share** the short **videos available on our YouTube page** (www.YouTube.com/user/FINRAFoundation): Embed them on your website or send a link in your email.

Please cite us:

When sharing our content, please include the following source sentence: *Content from the FINRA Investor Education Foundation.*

- ❑ **Post** our **public service announcements (PSAs)**: Post these television, radio and print PSAs on your website and share them through your social media channels. Available at www.SaveAndInvest.org/Fraud/AdSamples.
- ❑ **Link** to our **financial calculators and tools**: Learn more at www.SaveAndInvest.org/FinancialTools.
- ❑ **Link** to our **Investor Knowledge Quiz**: Your website visitors can test their investing knowledge and get access to resources to help them learn more. Available at www.finra.org/investor/quiz.

2. Share tips, tools and updates through your social media channels

Share the FINRA Foundation's fraud-fighting messages through your own posts and tweets. The tools mentioned above are perfect for your organization's social networks on Facebook, Twitter or LinkedIn.

Consider creating an editorial calendar for your social media posts. You can easily integrate investment fraud content into your existing posting schedule, if you have one.

Here's a sample editorial calendar structure with suggestions of how to include FINRA Foundation messages. Using this format, you can drop in your content to organize your ideas and posts for your page.

Sample Editorial Calendar

Week 1				
Monday	Tuesday	Wednesday	Thursday	Friday
	<i>Tip Tuesday (Post one of the FINRA Foundation's fraud protection tips)</i>		<i>Your organization's content</i>	
Week 2				
Monday	Tuesday	Wednesday	Thursday	Friday
		<i>Your organization's content</i>		<i>Fraud Flag Friday (Teach your followers about a red flag of investment fraud)</i>

Sample Facebook Posts and Tweets

Here are a few ideas for Facebook or LinkedIn posts and tweets. Remember to “tag” us if you mention our content so that your posts show up on our Facebook or Twitter pages. You’ll have to “like” our page on Facebook, and follow us on Twitter (@FINRAFoundation), to be able to tag us.

You can also share or retweet the FINRA Foundation’s original content on Facebook and Twitter in addition to creating your own (again, be sure to like us on Facebook and follow us on Twitter to be able to do so).

Facebook or LinkedIn

- ✓ Worried that an investment might be a scam? Use FINRA’s free Scam Meter to see if there are red flags. www.SaveAndInvest.org/Meters/Scam
- ✓ It’s Fraud Flag Friday. “Phantom Riches” — Dangling the prospect of wealth by enticing you with something you want but can’t have. A fraudster might say, “This investment is guaranteed to double your money in just 90 days.” But how likely is this? www.SaveAndInvest.org/Fraud/Psychology

Twitter

- ✓ Avoiding investment fraud can be as easy as saying “No.” Click for tips on how to protect yourself and your money. www.SaveAndInvest.org/Fraud/Avoid
- ✓ Do you engage in behaviors that make you vulnerable to investment fraud? Use the #FINRA Risk Meter to find out. www.SaveAndInvest.org/Meters/Risk

3. Publish ready-made articles and alerts through your newsletters

Feel free to redistribute the following through your organization’s printed or email newsletters—and tailor the length to suit your organization’s needs.

- ✓ Want to warn members of your community about Ponzi schemes or teach them about the “social consensus” persuasion tactic? Visit www.SaveAndInvest.org/FraudCenter/FraudStories to read and select from a series of **ready-to-use articles** on various investment fraud topics.
- ✓ Include our **Investor Alerts** in your newsletters. Visit www.SaveAndInvest.org/ProtectYourMoney/Alerts to see the latest.
- ✓ Or drop in a **fraud newsletter article** as-written or tailor the information to speak directly to people in your community. (See next page.)

Before You Invest, “Ask and Check”

Tips to avoid investment fraud and protect your finances

Investment fraud affects thousands of Americans and accounts for billions in lost savings every year. The profile of a typical fraud victim is not who you might think—victims are financially knowledgeable, have above average income, are college educated and are self-reliant when it comes to making decisions. Moreover, a majority of investors do not perceive themselves as vulnerable to investment fraud. Yet many of their reported investment behaviors put them at risk.

The truth is, regardless of age or circumstance, anyone with money is bound to hear from a fraudster at some point. But the good news is there are simple steps every investor can take to protect his or her finances and family before making any investment decision. Here are the top four strategies you should remember when approached with an investment offer:

- 1. Check out the seller.** A legitimate investment professional must be licensed. Before giving out your personal information, ask whether the seller is registered with the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) or your state securities regulator. Confirm this information by using FINRA’s BrokerCheck tool at www.finra.org/brokercheck.
- 2. Check out the investment.** It’s not enough to take an investment professional’s word for it. You also need to check whether an investment is registered and right for you. Confirm this using the SEC’s EDGAR Database at www.investor.gov.
- 3. Beware of exaggerated claims.** Fraudsters make their living by making their claims appear both good *and* true. Visit www.SaveAndInvest.org to learn common persuasion tactics used to sell fraudulent investments.
- 4. Practice saying “no.”** Know your exit strategy. Be prepared to end any investment conversation and tell anyone who offers you an investment product: “I am not interested. Thank you.”

Visit www.SaveAndInvest.org to learn more strategies to protect yourself from investment fraud.

Content from the FINRA Investor Education Foundation.