

How to Detect and Avoid Investment Scams

There are more than 800 fraud scams active nationwide, most of which can victimize seniors, according to the U.S. government. Some of these con games are specifically aimed at seniors such as high pressure tactics, deceptive sales pitches for living trusts, “no-risk, high-yield” investment scams and “miracle” arthritis remedies.

For example, in one instance approximately 100 seniors were fleeced of some \$2.5 million. Claiming to be estate and financial “planners,” a handful of personable individuals, later investigated by the Securities Exchange Commission (SEC), solicited information about the seniors’ assets. After obtaining it, the “planners” encouraged the seniors to liquidate their legitimate investments and invest the proceeds in phony promissory notes promising higher rates of return. In fact, according to the SEC, the issuers of these notes had no real business and the defendants misappropriated, or stole, the seniors’ funds.

To solicit the seniors, the “planners” distributed literature alarming them with claims that their state’s probate process was lengthy, complicated and expensive – and offering their firm’s “estate planning services, living trusts and revocable trusts” to overcome the problem. When the targeted seniors responded, they were urged to liquidate legitimate and safe investments, withdraw IRA monies and invest in the firm’s recommended investment vehicles to achieve a higher rate of return.

The seniors were told their monies would be invested in short-term high-interest notes, bank cards, resort projects and short-term interim mortgage loans -- all of which did not exist. Instead, their monies were used by the “planners” and their cohorts to make interest payments to earlier investors (Ponzi payments), pay exorbitant sales commissions, purchase several parcels of real estate, acquire and operate a pawn shop, make payments on personal credit cards and construct a residence and lake home.

It’s not just fools who get parted from their money. It can be mature, otherwise reasonable individuals. To avoid being victimized, seniors should remember not to let

greed overcome common sense. Young and old alike should avoid get-rich-quick schemes, "free" offers, and "you have won" solicitations. Remember, if it sounds too good to be true, it is.

Here are some other tips for avoiding investment scams:

- Wait 24 hours before making any investment: why rush? An offer from a reputable source will be there tomorrow.