

AVOIDING SCAMS

TYPES OF SCAMS

As world economies reel from the global financial meltdown, investors are seeking "safe havens" to place their monies. Unfortunately this situation also brings out the opportunists who will try to steal even the last dollar from persons who are not equipped to differentiate between real investment instruments and scams.

Today's scams are really clever and creative. Here are a few examples.

1. Internet scams

INTERNET SCAMS

Con artists reach millions of victims on the Internet. They hide who they are and send out e-mails full of lies. Double-check any information or hot tip you get online.

Example: The West African letter scam

Here you get an e-mail from someone who claims to be a high-ranking official from a developing nation. They ask for help. Their government has millions of dollars in an account, but they can't get at the money. They ask you to give them your bank account number so they can move the money there. They promise you a big share. Next thing you know, your account is empty and you never hear from them again.

BOILER ROOM SCAMS

2. Boiler room scams

Here you get a phone call from someone you don't know, offering you the "chance of a lifetime" to make money. It's a "sure thing." As long as new people keep buying, the value of the stock goes up. Everyone is happy, so they keep buying. The company is also happy, because it makes money on every sale. Sooner or later, though, people stop buying and start selling. The stock price falls because it had no real value. You and a lot of other investors end up losing lots of money.

PONZI OR PYRAMID

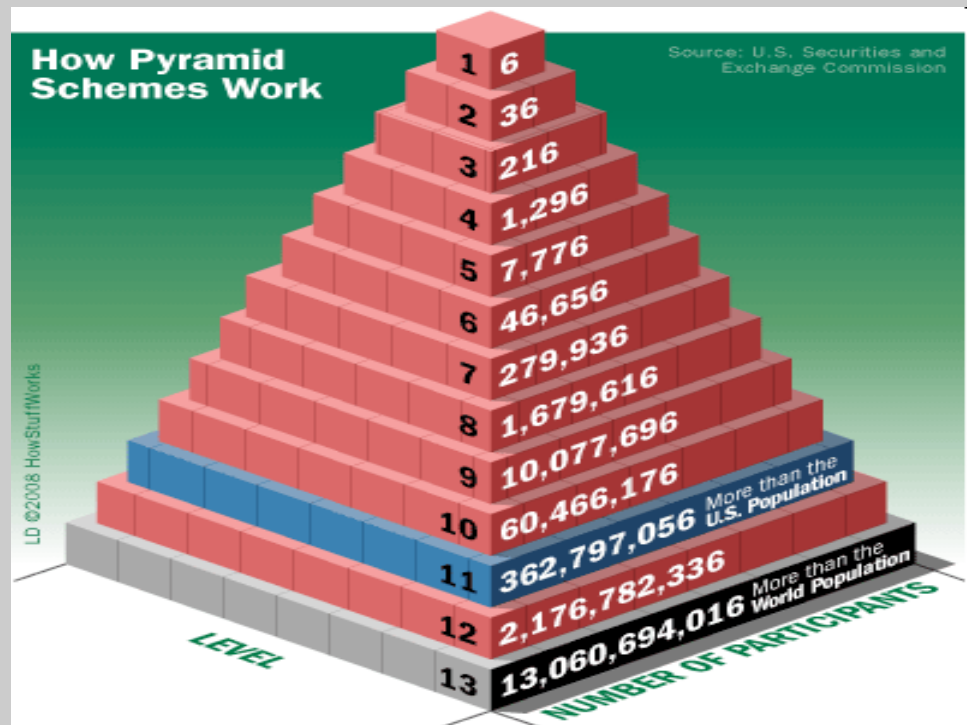
AFFINITY FRAUD



SCAMS

3. Ponzi or Pyramid schemes

Someone gives you the chance to join a special group of investors who are going to get rich on a great investment? It might be a friend or someone you know from work. The person behind the scam hopes that you will jump in, and tell all your friends to join up, too. In some instances they even give you some money at first and encourage you to let the funds roll over for even better returns. The only catch is that more people have to be recruited all the time. Inevitably new people stop joining and since it is the funds from the new persons that keep the pyramid going the pyramid begins to totter. Since there is no more money to pay out, you and countless others lose your investment.



4. Affinity fraud

This scam often happens in social groups. Con artists quietly join your club, religious group, or community group. Once they gain your trust they will try to convince you that a fraudulent investment scheme is legitimate and encourage you to participate. They will then scam you, your friends, or your family and just as quietly disappear.

Protecting oneself against unsafe investments

Know the source

Every investment has some risk involved. There's a big difference, though, between taking a risk on a well-researched investment and being tricked into losing your money. Here are six key things that you should know in order to make wise investment decisions and protect yourself from fraud.

1. Know the source

Ignore e-mails and telephone calls from people or companies you don't know offering investments.

Be careful: scam artists often use company names that are similar to well-known companies.

Avoid hot tips and inside information

2. Avoid hot tips and inside information

Hot tips usually don't work out. If someone says they have inside information, don't trust them. Even if it is true, it would be illegal to use it.

Also watch out for cheap stocks. They are often manipulated to drive prices up. Then they crash and your stock is worthless.

Take care in choosing your adviser

3. Take care in choosing your adviser

There are different kinds of advisers offering different advice and products. Make sure that your adviser is registered to buy and sell the investments that interest you. If you take the time to find a good adviser who is right for you, you are much more likely to make good investment decisions.

Learn more

4. Learn more

The more you know about investing, the easier it is to make good investment decisions. It will also be easier to spot anyone who is trying to give you bad advice.

Don't buy an investment that you don't understand. Your chances of losing money are greater. Always get all the information you need. You'll feel safer and more confident about your decisions.

Be willing to say "no"

5. Be willing to say "no"

Good advisers won't try to pressure you. Only say "yes" when you know the person, understand the investment, and feel that it is right for you. If your instincts tell you "no," listen to them.

Protecting oneself against unsafe investments

6. Look at the future, not just the past

Past performance of an investment is not necessarily an indication of how it will do in the future. Some investments that do very well one year, or over a period of years, can do very poorly later on. Make your investment decisions based on the outlook for the future, not just on how an investment did in the past.

Scams come in a variety of sizes and shapes. The scams that catch most people look sophisticated and even include attractively presented documents which look legitimate. The internet has allowed scam artists to have achieved a global reach with the setting up of websites which the intended victims are invited to view.

Remember: Bad information can lead to bad choices

- Scams can be very convincing and real-looking.
- Never give out personal information, including bank account numbers or access codes, to a stranger.
- The best way to protect yourself is to always check everything you hear
- To avoid losses, get the best information you can from the best sources.
- If you're not sure what to do, talk to a registered adviser or get in touch with the SEC
- Always listen to your instincts and use your head.

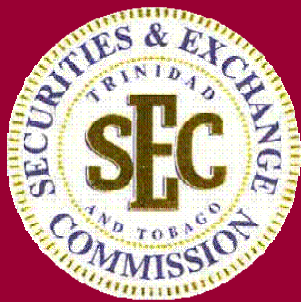
If something sounds too good to be true, it most likely is.

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