



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest, **Investor.gov**

# Protect Yourself From Investment Scams

United States Securities and Exchange Commission  
Atlanta Regional Office

Mark Youdell  
Regional Outreach Coordinator

June 2023



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# What We Will Cover

- I. Overview of the SEC
- II. Red Flags of Fraud
- III. Common Scams
- IV. Tips to Avoid Fraud



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# SEC Disclaimer

*The SEC is providing this information as a service to investors. This presentation is not a statement of official SEC policy, a legal interpretation, or investment advice. The views expressed today are my own, and do not necessarily reflect those of the Commission, the 5 Commissioners or other members of the staff.*



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# The SEC's Mission

- Protect Investors
- Maintain Fair, Orderly, and Efficient Markets
- Facilitate Capital Formation





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# SEC Oversees and Regulates

- 13,900 investment advisers
- 10,000 mutual funds and ETFs
- 7,000 reporting companies
- 3,600 broker-dealers
  - 640,000 registered representatives
- 527 municipal advisers
- 350 transfer agents
- 24 national securities exchanges
- 9 credit rating agencies
- 7 clearing agencies
- Self-regulatory organizations, including FINRA, MSRB, SIPC and PCAOB



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Other SEC Responsibilities

- Review disclosures of approximately 7,000 reporting companies
- Examine broker-dealers and other market participants
- Enforce the federal securities laws
  - Collected over \$6.4 billion from 760 enforcement actions (FY 2022)
  - In FY 2022, the SEC issued Whistleblowers approximately \$229 million covering 103 awards



# SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Investor.gov



## Investor.gov

U.S. SECURITIES AND  
EXCHANGE COMMISSION

[About Us](#) | [Contact Us](#) | [Follow Us](#) |  
[Información En Español](#)

Search Investor.gov



Introduction to  
Investing

Research Before  
You Invest

Protect Your  
Investments

Additional  
Resources

Check Out Your  
**INVESTMENT  
PROFESSIONAL**

Individual ▾ Name or CRD#



It's a great first step toward protecting your money. Learn about an investment professional's background, registration status, and more.



**SEC**

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Financial Fraud Prevalence

**MORE THAN 8  
IN 10  
SOLICITED FOR  
POTENTIALLY  
FRAUDULENT  
OFFERS**



**\$50 BILLION  
PER YEAR  
LOST TO  
FRAUD**

Source: Financial Fraud Research  
Center. Scams Schemes & Swindles: A  
Research Review of Consumer  
Financial Fraud (2011).





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Fraud in the Movies



[Wolf of Wall Street clip](#)

# II. Red Flags of Fraud





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Red Flags of Fraud

- **Sounds too good to be true:** Any investment that sounds too good to be true probably is



- **Pressure to buy RIGHT NOW:** Don't be pressured into buying an investment before you have a chance to investigate the "opportunity"
- **Lack of documentation:** Be skeptical of investments without documentation reflecting the promoter's claims



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Unsolicited Offers to Invest

- Investment fraudsters look for victims through social media
- If you receive a “can’t miss” offer from someone you don’t know, your best move may be to pass up the “opportunity”





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Persuasion Tactics of Fraudsters

## Phantom Riches

Dangling the prospect of wealth, enticing you with something you want but can't have.



## Source Credibility

Trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience.



## Social Consensus

Leading you to believe that other savvy investors have already invested.



## RED FLAGS OF FRAUD

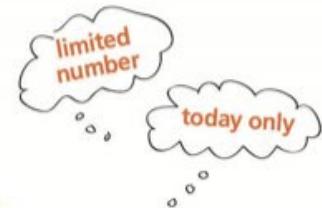
## Reciprocity

Offering to do a small favor for you in return for a big favor.



## Scarcity

Creating a false sense of urgency by claiming limited supply.





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Responding to a Sales Pitch



[Play video](#)

Source: FINRA Investor Education Foundation

# III. Common Scams

Pump-and-Dumps

Pyramid Schemes

Investment Newsletter

Government Impersonators

Advance Fee Fraud

Ponzi Schemes

Affinity Fraud

Binary Options Fraud





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Pump-and-Dumps

- Involve the hyping (“pump”) of a company’s stock through false or misleading statements
- Typically involve “penny-stock” or “microcap” companies
- Pitch to buy stock quickly
- Once fraudsters “dump” their shares at the pumped-up price, the price falls and investors lose their money





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Ponzi Schemes

- Scammer pays existing investors with funds from new investors
- Often promises high returns with little or no risk, or overly consistent returns
- Secretive, complex strategies
- Unregistered sellers and investments



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Pyramid Schemes

- Emphasis on recruiting others to join, rather than on selling a genuine product or service
- Promises of easy money, passive income, or high returns quickly
- No demonstrated revenue from retail sales
- Complex commission/compensation structure



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Investment Newsletters

- While legitimate newsletters may contain useful information, others are tools for fraud
- Fraudsters may lie about the payments they receive and their track records
- They may claim to offer unbiased recommendations when they stand to profit
- Newsletters advertised on legitimate websites may also be fraudulent



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Advance Fee Fraud

- Scammer asks for a payment up front before the deal can be completed
- Advance payment may be described as a fee, tax, commission, or incidental expense that may be repaid later
- Fraudsters try to fool investors with official-sounding websites and emails



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Beware of Government Impersonators

- Scammer may pose as SEC or other government employee
- SEC does not endorse investment offers, assist in purchase/sale of securities or participate in money transfers
- SEC does not make unsolicited communications seeking detailed personal and financial information



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Binary Options Fraud

- Binary options websites may be used for fraudulent investment schemes
- Red flags of binary options fraud include:
  - Unsolicited offers
  - High pressure sales tactics
  - Issues with withdrawals
  - Unauthorized credit card charges
- Check out the seller's background:
  - [Investor.gov](https://www.investor.gov)
  - National Futures Association at [www.nfa.futures.org/basicnet](https://www.nfa.futures.org/basicnet)



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Affinity Fraud

- Affinity frauds target members of identifiable groups
- Fraudsters often are members of the group or pretend to be
- Always “Ask and Check” even if you know the person making the investment offer
- Remember: the person telling you about the investment might have been scammed





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Affinity Fraud Case Study

A former marine who operated a hedge fund masqueraded as a successful trader to defraud fellow veterans, current military, and other investors:

- Falsely claimed annual returns of nearly 200 percent
- Raised nearly \$1.8 million from investors
- Invested less than half the money
- Spent at least \$400,000 on luxury cars, mansion, gambling and nightclubs





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Groups Targeted

## Includes:

Seniors/Retirees

Ethnic Communities

Military Personnel

Professional Athletes

Federal Employees

Religious Groups



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Before You Invest, Investor.gov



Anonymous Fraudster

[Video](#)

# IV. Tips to Avoid Fraud





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Tips for Investors to Avoid Fraud

- Research both the financial professional and the investment product
- Be aware of common persuasion tactics and red flags
- Be alert to common investment scams



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Before You Invest, Investor.gov



Karen Samson's  
Annual Bonus, And Misplaced Trust,  
Afforded Her "Investment Professional"  
The Very Finest Bubbles.

[Play video](#)



SEC

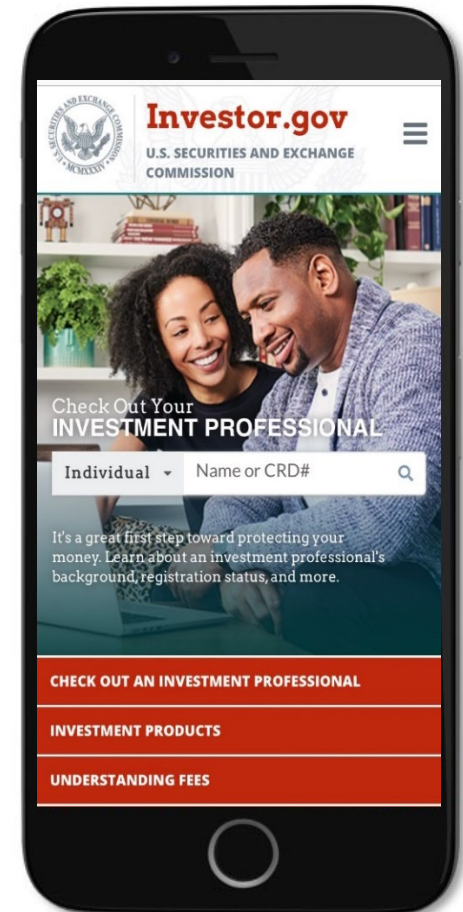
OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Check Any Investment Professional

## Check on Investor.gov:

- License/registration
- Disciplinary actions
- Customer complaints
- Previous employment





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Before You Invest, Investor.gov





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

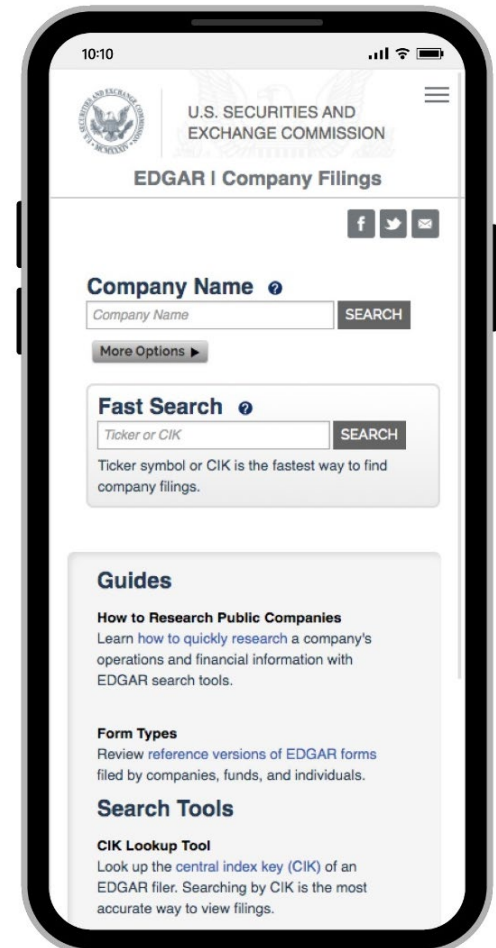
Before You Invest,  
**Investor.gov**

# Research Any Investment Product

## Check EDGAR:

Is the product registered with the SEC?

- Scams often involve unregistered companies
- EDGAR has important information about companies







SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# EDGAR

## Guides

### How to Research Public Companies

Learn [how to quickly research](#) a company's operations and financial information with EDGAR search tools.

Daily Filings by Type
Boolean Archive Search
Full Text (Past 4 Years)
CIK Lookup
Confidential Treatment Orders

#### Guides

##### How to Research Public Companies

Learn [how to quickly research](#) a company's operations and financial information with EDGAR search tools.

##### Form Types

Review [reference versions of EDGAR forms](#) filed by companies, funds, and individuals.

#### Search Tools

##### CIK Lookup Tool

Look up the [central index key \(CIK\)](#) of an EDGAR filer. Searching by CIK is the most accurate way to view filings.

##### Save Your Search

Want to get updates on new filings? Learn how to [save your search](#) by subscribing to EDGAR RSS feeds.



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Secure Your Online Account

U.S. SECURITIES AND EXCHANGE COMMISSION

**SEC**  
OFFICE OF INVESTOR  
EDUCATION AND ADVOCACY



**PROTECT YOUR ONLINE ACCOUNT**



\*\*\*\*\*

Pick a **"strong"** password,  
keep it secure,  
and change it regularly.

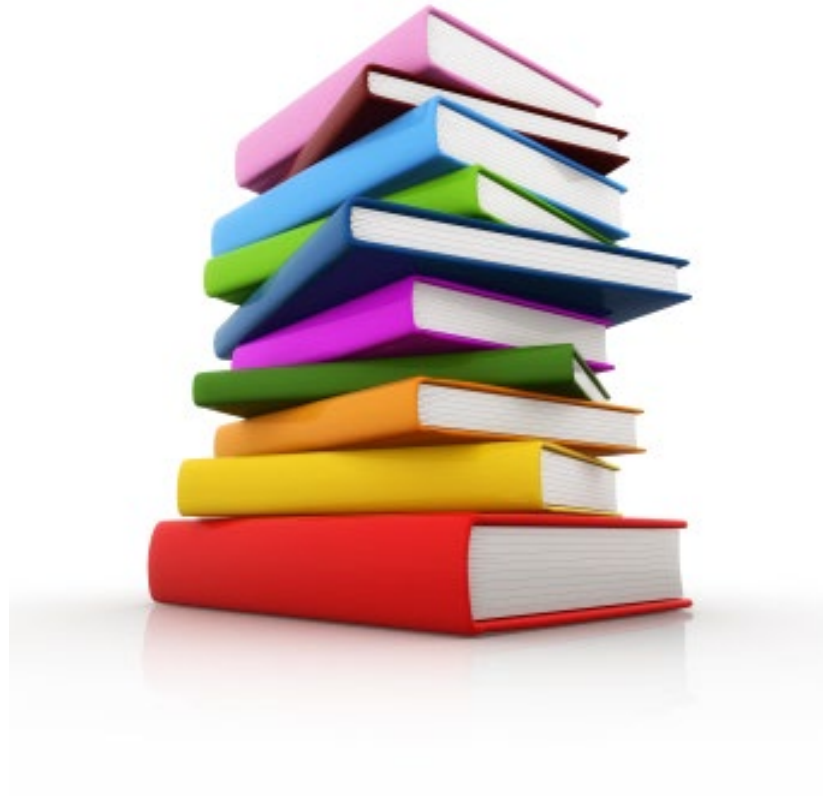


Use two-step verification,  
if available.



Use different passwords for  
different online accounts  
(i.e., brokerage, banking, retirement,  
or other similar financial accounts).

# SEC Resources





# SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**



# Investor.gov

U.S. SECURITIES AND  
EXCHANGE COMMISSION

About Us | Contact Us | Follow Us |  
Información En Español

Search Investor.gov

Introduction to  
Investing

Research Before  
You Invest

Protect Your  
Investments

Additional  
Resources

## Check Out Your **INVESTMENT PROFESSIONAL**

Individual  Name or CRD#

It's a great first step toward protecting your money. Learn about an investment professional's background, registration status, and more.

[CHECK OUT AN INVESTMENT PROFESSIONAL](#)

[INVESTMENT PRODUCTS](#)

[UNDERSTANDING FEES](#)

[INVEST FOR YOUR GOALS](#)

[FINANCIAL TOOLS AND CALCULATORS](#)

[ICOS AND OTHER DIGITAL ASSETS](#)

## FEATURED INFORMATION



### Spotlight: Public Service Campaign

No matter what stage of investing you're at, everyone has questions. Watch videos from

## INVESTOR ALERTS AND BULLETINS



Investor Bulletin: Social Sentiment  
Investing Tools —Think Twice Before

## GET HELP



[Submit Questions and Complaints](#)

Ask a question or report a problem concerning your investments, your investment account or a financial



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Investor Alerts

- Binary Options Websites May Be Used for Fraudulent Schemes
- What You Should Know About Asset Recovery Companies
- Excessive Trading at Investors' Expense
- Investment-Related Radio Programs Used to Defraud
- Be on the Lookout for Advance Fee Fraud
- Five Red Flags of Investment Fraud



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Before You Invest

## CHECK:

- Read your employer's **403(b) or 457(b) plan documents.**
- Research **investment products** offered by the vendors in your school district.
- Research your **investment provider** or **vendor**



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# FINRA Fund Analyzer

The screenshot shows the FINRA Fund Analyzer website. At the top, the text "Fund Analyzer by FINRA" is displayed in a blue font. Below this, the tagline "Analyze and compare the cost of owning funds" is centered. A search bar with the placeholder text "Search by Fund Name, Family, Ticker or Keywords" and a red "SEARCH" button is prominent. Below the search bar, there are links for "Filtered Search", "Favorites", and "Help". A disclaimer states: "Disclaimer: The future values depicted are based on the rates of return chosen by the user and are not a depiction of actual returns." At the bottom of the screenshot, the text "Why Use the Fund Analyzer" is visible. The background of the screenshot features a light blue grid with various numbers and a bar chart.

[www.finra.org/fundanalyzer](http://www.finra.org/fundanalyzer)



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Investor.gov/teachers

## SAVING AND INVESTING RESOURCES FOR TEACHERS

*This page is for teachers investing for themselves and their families. We also have separate pages for resources teachers can use in classrooms to help educate students about investing, as well as a page created just for students.*



**Teachers, you work hard educating our future generations. While you're helping others, make sure you don't lose sight of your *own* financial future. The resources below can help you become a smarter investor and better plan for your retirement.**





SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Sec.gov/teachers

## Spotlight on Teachers Investment Options



### Teacher Investment Outreach



### Helping Teachers Invest Wisely

When it comes to saving for retirement, you have big decisions to make, and the SEC wants to help. The SEC offers tools and resources to help you learn more about the 403(b) and 457(b) retirement plans that are most often offered in public school districts. You can find many that are geared just for you on this site.

A digital  
GUIDE  
FOR  
TEACHERS  
Saving and Investing  
for K-12 Educators



SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

Before You Invest,  
**Investor.gov**

# Let's Stay in Touch...

## U.S. Securities and Exchange Commission Atlanta Regional Office

**Investor Assistance: 404-842-7676 | [help@sec.gov](mailto:help@sec.gov)**



Investor.gov



[www.facebook.com/SECInvestorEducation](https://www.facebook.com/SECInvestorEducation)



[@SEC\\_Investor\\_Ed](https://twitter.com/SEC_Investor_Ed)