

KEEPING TENNESSEE SENIORS SAFE

***WHAT YOU NEED
TO KNOW ABOUT
INVESTMENT SCAMS***



State of Tennessee
Office of the Attorney General & Reporter



Department of
**Commerce &
Insurance**

Consumer Affairs

Contact (800) 342-8385
www.tn.gov/commerce/section/consumer-affairs



Are you an older adult with savings? Do you own your home or other property? Then be on the lookout for scammers who want to take your money by tricking you. Older adults are targets of investment scams because they often have savings and other assets. The effects of investment scams can be long-lasting and devastating. The Tennessee Attorney General's Office wants seniors, their families, and caretakers to know about common scams, how to stop them, and how to get help or report them.



WHAT IS INVESTMENT FRAUD?

Investment fraud happens when people try to trick you into investing money. They might want you to invest money in stocks, bonds, notes, commodities, currency, or even real estate. A scammer may lie to you or give you fake information about

a real investment. Or they may make up a fake investment opportunity.

Investment fraudsters might say they are telemarketers or financial advisors. They seem smart, friendly, and charming. They may tell you an investment opportunity is urgent. They try to earn your trust so you'll give them money as quickly as possible and without asking many questions.

WHAT ARE SOME COMMON INVESTMENT SCAMS?

- **Affinity Fraud:** Scammers try to trick members of a group that has formed based on a common characteristic such as age, ethnicity, or religion. Scammers act like they are part of the group to win the trust of the group leader and its members. The scammers hope that if the group leader invests, others will invest too.
- **High Yield Investment Programs:** Scammers claim you'll make high returns on your money if you invest with them. They say you're guaranteed to make money off the investment. Often these investments aren't real, or they're really selling stocks that have almost no value.
- **Pyramid Schemes:** : Scammers will tell you that a small investment can earn a large pay out—or profit. But you have to find others to invest too. The “profit” that you get is really just money paid by other investors. The scheme falls apart when the scammer runs out of new investors or takes all the money and runs.
- **Ponzi Schemes:** A scammer—usually a portfolio manager—says he will invest your money and earn you large pay outs. But

the money you get is really just money paid by other investors. The scheme falls apart when the scammers can't find any new investors to give them money.

- **Pump and Dump:** Scammers buy cheap stocks and lie to potential purchasers about the quality of the stocks to raise their prices. You might think the stocks are a good investment, so you buy them at a higher price. Then the scammer then sells off the stock at the higher price, the stock price drops, and you're left with worthless stocks.
- **Recovery Room Schemes:** Scammers say they'll help you get back money that you've lost in other investment schemes, but they want you to pay them first. After you pay them, they don't do anything.
- **Unsuitable Financial Products:** A financial advisor may try to sell you something that earns them a lot of money but is not a good investment for you. Financial products like annuities can take a long time to earn the money you were promised. And if you want to withdraw your money, you might have to pay a large fee. More generally, some financial advisors may bill you for services you didn't receive or products you didn't ask for.

SIGNS IT MAY BE A FRAUD OR A SCAM

- Promises that an investment will consistently earn a lot of money—anything that seems too good to be true usually is.
- People who aren't licensed to sell securities in Tennessee.
- People who are selling unregistered securities in Tennessee.

- People who lie and say they know a lot about your retirement/investment needs.
- Not having the right paperwork that tells about the investment (i.e. stocks/mutual funds must have a prospectus and bonds must have a circular).
- Aggressive, pushy salespeople who want your answer, your money, or your signature right away.



HOW TO AVOID INVESTMENT SCAMS

- Use [BrokerCheck.finra.org](https://www.brokercheck.finra.org) to check if a broker is a licensed or if someone has complained about them.
- Read about and understand any investment before you give someone your money. Ask for information in writing. Use the EDGAR database (www.sec.gov/edgar/searchedgar/webusers.htm) to research investments and investment companies.

- Get the name and company information of the salesperson offering an investment. Research the salesperson and the company before you decide to invest.
- Always look into investment firms or salespersons with “senior certification” or who claim to be retirement consultants.
- Contact the Tennessee Securities Division’s Registration Section at (615) 741-3187 with any questions about investments.

WHAT TO DO IF YOU THINK YOU ARE A VICTIM OF AN INVESTMENT SCAM

If you think you are a victim of investment fraud, here are some things you can do:

1) Document It: Write down everything you remember about what happened. Include these things:

- the company name;
- the names of people who spoke to you;
- their contact information (telephone numbers, website addresses);
- the investment information they gave you (regulator registration numbers);
- a timeline of what happened;
- a police report (if you filed one and can get a copy);
- your current credit report from all three credit reporting companies;
- a list of phone conversations with notes about information they told you; and
- any other helpful information.

2) Take Action: Report the fraud to federal and state agencies.

- **Tennessee Securities Division, Registration Section.** Make a complaint at (615) 741-5900 or via email at securities3@tn.gov. Or file a complaint online at <https://tn.gov/commerce/topic/commerce-file-a-complaint>.
- **U.S. Securities and Exchange Commission (SEC), Office of Investor Education and Advocacy,** (800) SEC-0330. File an online complaint at <https://www.sec.gov/complaint.shtml>.
- **Financial Industry Regulatory Authority (FINRA),** Securities Helpline for Seniors (M-F 9-5 ET): (844) 574-3577. For all investors: (301) 590-6500. File an online complaint at <http://www.finra.org/investors/investor-complaint-center>.
- **U.S. Commodity Futures Trading Commission.** Consumer hotline: (202) 418-5514. File an online complaint at <http://www.cftc.gov/TipOrComplaint>.





RESOURCES

The following agencies offer more information about financial professionals and how to spot investment fraud:

- **Tennessee Securities Division:** (615) 741-2947 or www.tn.gov/commerce/section/securities
- **Federal Trade Commission, Investment Risks:** www.consumer.ftc.gov/articles/0238-investment-risks
- **Financial Industry Regulatory Authority (FINRA):** www.finra.org, or call the Helpline for Seniors: (844) 574-3577
- **U.S. Securities and Exchange Commission:** www.investor.gov, or call (800) 732-0330
- **North American Securities Administrators Association:** www.nasaa.org, or www.serveourseniors.org
- **U.S. Commodity Futures Trading Commission:** www.smartcheck.cftc.gov, or call (866) 366-2382



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