



INVESTMENT FRAUD

Making Wiser Decisions

Too Good To Be True

We would all like to find a great investment that would guarantee financial security.

Unfortunately, some offers are too good to be true. If a sales pitch sounds like any of the examples below – STOP! The investment may be a scam.

Say No! Do not make an impulsive, emotional or irrational investment decision. You can always change your mind after you have checked the offer out.

If you buy before doing your homework, you may end up losing your hard-earned money.

In support of Crime Prevention Week 2007, BC Securities Commission would like you to look out for the following red flags:

Five Common Red Flags:

#1 Guaranteed High Returns – No Risk!

There's no such thing! The higher the returns, the higher the risk.

This type of sales pitch is often aimed at people who live on a fixed income or are near retirement and worry they don't have enough money.

#2 Insider Tips – Get in Now!

The scam artists use this tactic to pressure you into making a quick decision.

They make the offer more attractive by suggesting they have secret information about a company that the general public doesn't have.

They pressure you to act now, to get in on the "ground floor". Don't! This kind of sales pitch appeals to your fear of missing out on a good deal.

#3 Offshore Investment – Tax Free!

You can defer paying taxes, but you can't avoid paying them. End of story!

This type of deal is often pitched as a secret so you won't or can't tell anyone.

Your money is usually transferred to overseas locations making it harder to recover and harder for the proper authorities to investigate.

By keeping the deal a secret, you won't get the benefit of hard questions and comments from family, friends or financial advisors who might see through the scam.



#4 Profit Like the Experts!

These scams are pitched as opportunities known only to a select few who are making a lot of money.

The scam artist convinces you that he or she has access to this special deal.

A common example of this is the “prime bank” scam where investors are told about the existence of a secret market that only the world’s largest banks know about.

You’re given an exclusive opportunity to participate in this secret market. Secret prime markets don’t exist!

#5 Great Investment Opportunity – Your Friends Can’t Be Wrong!

This scam relies on the trust you place in your friends and the fear of not keeping up with them.

This type of scam comes in many forms such as “affinity fraud”.

Here, scam artists target religious, ethnic, or close-knit groups by working their way into organizations and befriending members in order to rip them off.

Don’t be a victim!

Check out everything – no matter how trustworthy the person is who brings the investment opportunity to your attention.

Quick Tips

- **Know Yourself:** your investment goals, your risk tolerance, the limits of your own investment knowledge.
- **Know Your Investment Type:** expected return, risk and liquidity. Does it fit with your investment goals? What public information is and will be available? Is management competent and reputable?
- **Know Your Adviser:** Check qualifications, registrations, experience, fees, commissions, reputation, references and disciplinary action.
- **Understand Pressure Tactics:** used by scammers and resist them. Get everything in writing before and after you sign.
- **Be Suspicious:** of advice to cash out of your current investment or requests to make payments to an individual or private company.

FOR MORE INFORMATION PLEASE VISIT THESE RESOURCES:

- **BC Securities Commission** www.investright.org & www.bcsc.bc.ca
- **BC Crime Prevention Association** www.bccpa.org
- **RCMP Investment Fraud Info** www.rcmp-grc.gc.ca/scams/investment_fraud_e.htm