FINRA Investor Education Foundation

**Investor Protection Strategy:**
Train fraud fighters nationwide to carry prevention message into their communities.

► Ground in research
► Build partnerships
► Teach investors to:
  • Know that they are vulnerable
  • Recognize persuasion techniques
  • Take simple, highly protective steps: ASK AND CHECK
Snapshot: Fraud Research

Prevalence and Impact

More than 8 in 10 solicited for potentially fraudulent offers

$50 BILLION per year lost to fraud

Americans age 65 and older are more likely to be targeted and 34% more likely to lose money once targeted than respondents in their 40s.

NEARLY 2/3 of victims reported experiencing at least one non-financial cost of fraud to a serious degree.

- Severe stress: 50%
- Anxiety: 44%
- Difficulty sleeping: 38%
- Depression: 35%

Who’s at Risk?

• Anyone can be a victim
• Investment fraud victims tend to be:
  – Male; 55-65 years old; more financial literate; college-educated; self-reliant
• Engage in certain behaviors:

Other Risk Factors

Repeatedly Targeted

Excited!!!

Angry!
The Power of Loss Aversion

Loss Aversion
Far more than we would otherwise value it

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Weapons of Fraud

**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.

**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.

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Is it Really FREE?

**Reciprocity**

**Phantom Riches**

**Social Consensus**

**Scarcity**

**WHY NOT?**
Red Flags of Fraud & Investor Protection
Christine N. Kieffer, FINRA Foundation

SFE&PD Fin Lit Leadership Conference
September 13, 2018 – New Orleans, LA

Real Analysis or Paid Promotion?
Beware of Investment Research Stock Scams

“These companies, promoters and writers allegedly misled investors by disguising paid promotions as objective and independent analyses.”
- The Alert Investor, powered by FINRA, August 11, 2017

Emerging Trends

Cryptocurrencies and Initial Coin Offerings (ICOs)
Binary Options
Crowdfunding and SAFE Securities
Practice Spotting Persuasion
Tips & Tools for Preventing Fraud
Tips for Handling Scam Attempts

1. If you didn’t solicit it, why did it solicit you?
2. Cut the clutter/do not engage
3. Develop a refusal script
4. Take a “time out”
5. Be your own devil’s advocate
6. Ask and Check – Independent sources

Check FINRA BrokerCheck
SEC’s Investor.gov

U.S. SECURITIES AND EXCHANGE COMMISSION

Check Out Your INVESTMENT PROFESSIONAL
SEARCH THE DATABASE

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

FEATURED INFORMATION

New Public Service Campaign Videos

GET HELP
Submit Complaints and Questions
Report a possible securities fraud, or use a complaint form to protect consuming investors, an investment account or a financial professional.

INVESTOR ALERTS AND BULLETTING

Investor Alerts - Investments
Investor Alerts - Stocks
Investor Alerts -瓜hide
Investor Bulletins -瓜hide
Investor Bulletins -瓜hide

More Alerts and Bulletins

Louisiana Office of Financial Institutions

- Free background checks on investment professionals registered with OFI
- Examine securities firms headquartered in LA
- Issue “Cease & Desist” orders
- Refer cases for prosecution
- FREE Speaker: Nancy Boudreaux
  - Spot the Con
  - Dear Younger Me

www.ofi.la.gov/SecuritiesInvestorEd.htm
Monitor Your Accounts

- Trusted contacts for your account
- Hold on disbursements when fraud suspected
- Trusted contacts for your account

New Rules to Combat Financial Exploitation
When Fraud is Suspected

► Recognize consumer may be “under the ether”
► Encourage victim to report; connect victim to resources for reporting
► Share prevention resources

Checklists at SaveAndInvest.org

Report Concerns/Suspicions

• **Securities** – SEC, FINRA, States (see NASAA – North American Securities Administrators Assoc.)

• **Insurance** - States (see NAIC, National Association of Insurance Commissioners)

• **Commodities/Futures** - National Futures Association, CFTC
FINRA Securities Helpline for Seniors

(844) 57-HELPS
(844-574-3577)

Monday to Friday, 9 am – 5 pm
(Eastern Time)

Free Resources

www.SaveAndInvest.org

www.FINRA.org
Be a Fraud Fighter!

Christine Kieffer, FINRA Foundation