INVESTMENT SCAM CHECKLIST

Most scams have some common warning signs that are fairly easy to spot. Before you invest, ask yourself these questions:

☑ Were you promised a high return or a low-risk investment?

One of the first rules of investing is that higher return equals higher risk. In other words, the more money you can potentially make on an investment, the higher the risk of losing some or all of your investment. No one should guarantee that an investment has no risk or that it will make a certain amount of money – while some investments pose less risk than others, ALL investments can lose money and performance is NEVER guaranteed.

☑ Did you have enough time to make a decision?

You should never feel pressured into buying an investment on the spot. If you hear things like, “act fast,” “one-time opportunity,” or “buy now before it is too late,” the person you are talking to likely has something to hide.

☑ Were you given confidential or “inside” information?

A scam artist may claim to have information that nobody else knows about a company. You have no way to know whether this “inside” information is true. And, even if it is, trading on inside information is illegal.

☑ Can you verify the investment with a credible source?

If you received an unsolicited investment opportunity, get a second opinion from a registered financial advisor, investment advisor or lawyer and contact the New Jersey Bureau of Securities at 1-800-I-Invest or visit **www.NJSecurities.gov.**

☑ Is the person who contacted you registered?

Anyone who tries to sell you an investment or give you investment advice must be registered unless they have an exemption. You can contact the New Jersey Bureau of Securities at 1-866-I-Invest or visit **www.NJSecurities.gov** to check if someone is registered.

☑ Were you given incomplete information?

A legitimate investment will offer full disclosure — that is, information about its objectives and outlook — in its offering statement or prospectus. Steer clear of any investments that lack supporting documents and information. Before investing, you should know the name of the company issuing the security, the security’s prior performance, terms of the investment, any fees you must pay and, with bonds or CDs, the maturation date.

Were you asked to provide confidential information too early? You should not need to hand over your Social Security number, date of birth, financial statements, or other detailed personal information until you have agreed to open an investment account. If you are being asked for this information immediately, you might suspect wrongdoing.

Is there a lot of activity in your account?
If you end up paying more in commissions than you earn on your investments because of your broker's frequent trading in your account, you should suspect wrongdoing. This type of fraud is called churning, which means your broker trades simply to reap commissions. You should review your monthly statements for illogical or overly frequent transactions, as well as account discrepancies.

Was the investment suddenly hyped to you?
Sudden hype about a particular investment – especially one that is thinly traded and relatively unknown — could indicate a "pump and dump" scam. In this type of fraud, unscrupulous traders and brokers buy shares in low-priced companies, spread false information to drive stock prices up, sell the stock at the highest price and then disappear. People who fall for the scam are left holding worthless shares. Be wary of a sudden increase in talk about a certain stock, particularly if the information is undocumented or only on the Internet, particularly in investment chat rooms.

Were you pressured into making the investment quickly?
No responsible investment advisor should pressure you to make an immediate decision about an investment.

Were you contacted by a stranger?
Be careful of anyone you do not know who contacts you based on your affiliation with an organized group, such as a church, club, support group, alumni association, or veterans group, then tries to sell you an investment. While some investments can be legitimately sold this way, many financial scams — collectively called "affinity fraud" — happen when dishonest brokers swindle people in a certain group.

Does the investment sound too good to be true?
The simplest red flag of all may be the most powerful. If you think a potential investment just plain sounds too good, like too much of a sure thing, and just too enticing to pass up, you might be wise to walk away. Remember: the greater the chance of a substantial return on an investment, the greater of the risk of loss on that investment.