

Recognizing and avoiding scams in 2016



AFFINITY FRAUD

Recognize it: Affinity fraud exploits the trust and friendship that exists in groups of people who have something in common, religious or ethnic communities, social or professional groups. The scam artists who promote affinity scams frequently are – or pretend to be – members of the group. They often enlist respected leaders (who may be unsuspecting victims) from within the group to spread the word about the scheme, by convincing those people that a fraudulent investment is legitimate and worthwhile. The resulting sense of affinity and trust allows scam artists to more effectively lure their victims into a fraudulent investment.



BINARY OPTIONS SCAMS

Recognize it: Many Albertans are lured into binary options scams through online advertisements and cold calls. These opportunities are presented as “investments” but are really more like a bet. Your bet is on whether an asset’s value (could be currency, gold, etc.) will increase or decrease over a short fixed period of time, similar to gambling.

Company representatives will begin by asking you for a small initial investment, promising unbelievable returns, which you will initially see in your account. What many investors don’t realize is that these gains are virtual gains, the profits don’t actually exist. The scam is generally uncovered when investors experience difficulty withdrawing their money or have trouble getting in touch with the company. Many binary options companies are based overseas and are not registered to sell securities or offer investment advice in Alberta.



CHARITY SCAMS

Recognize it: Scam artists will take advantage of your generosity by convincing you to donate money to a non-existent charity. They may be asking for donations to a cause that could be related to a current event, such as a fire or a flood, but instead of supporting the cause, they use your donations to support themselves.



PONZI SCHEMES

Recognize it: Ponzi schemes promise high rates of return with little or no risk to investors. Unknown to the investors, returns are paid from their own money or the money paid by new investors rather than from profit. There is no legitimate investment. This scam will usually pay promised returns to early investors, as long as new investing occurs. These schemes always collapse on themselves as new investments stop and investors lose some or all of their money.



RECOVERY ROOM SCAMS

Recognize it: If you’ve been a victim of a scam once, you could be targeted a second time in a recovery room scam. Scam artists will contact investors and will offer to buy the shares they purchased in the initial scam at an inflated price. In order to receive the money, investors are instructed to first pay a fee for this service/transaction. Once the fee is paid, the scam artists take the money and run – the victim has been scammed again.



Tips for protecting your money:



DO YOUR HOMEWORK BEFORE INVESTING.

No matter who is recommending or offering you the investment, be sure to check it out before making a decision to invest. Take the time to do your own research, consult an independent third party and ensure that the investment is suitable for your goals and financial plan.



ASK QUESTIONS AND CHECK THE ANSWERS.

Be certain that you understand what you are investing in and be sure to ask questions if you don't. The person or company offering you the opportunity should be able to clearly explain the opportunity. If you can't understand it, don't invest. Write down the answers you are given and check them for accuracy on your own or with an independent third party.



DON'T BE DRAWN IN BY APPEARANCES.

A smooth-talking salesperson, and professional-looking marketing materials and websites don't guarantee a sound investment opportunity. No matter how good an investment opportunity looks, be sure to do your own research or consult with an independent third party before making a decision.



CHECK REGISTRATION.

With limited exceptions, in order to sell securities legally in Alberta, an individual or company must be registered with the Alberta Securities Commission. You can do a quick and free registration check by going to www.aretheyregistered.ca or by contacting the Alberta Securities Commission directly (1-877-355-4488, inquiries@checkfirst.ca).