

# Protecting Seniors from Investment Fraud

As many older adults get closer to retirement age, they become targets for scam artists. They are targeted because they routinely have at least a bit of a nest egg squirreled away that scam artists can prey on. They also prey on older adults fears that they won't have enough money to retire, or upon their dreams of a better retirement to get them interested in a "can't miss investment." Knowing what frauds are most common and how to recognize them is a way for older adults to protect themselves

## Affinity Fraud

Affinity Fraud is any investment scam that preys upon the members of an identifiable group. This could be a religious or ethnic community, a group of professionals, or the members of a club or association.

## Boiler Rooms

Boiler rooms steal money through an onslaught of unsolicited phone calls, emails and text messages. They promote shares in companies that they say are soon to be listed on a major stock exchange. The catch is that these companies don't exist.

## Pump and Dump Scams

In a pump and dump, scammers choose a low-valued stock, and find ways to promote it as the next big thing. As investors buy shares the value of the stock increases rapidly. The catch is that the scammers already owned large amounts of the stock before the buy-in from the public. They will sell their large block of shares for a considerable profit. This large-block sale causes the value of the stock to plummet leaving the investors with worthless stock.

## Binary Options

Binary options are like an "all or nothing" wager. You bet that an asset will rise or fall in value within a specific amount of time. At the expiry of that time, you either profit or you lose all of your investment. Fraudulent binary options scams have been run through online trading platforms. Most were fake and trades never took place. Scammers would allow investors to make a profit off their first trades to hook them into making larger deposits. Once they had more money the trades suddenly became money-losers, or often the scammers would just disappear with the money.



## Nova Scotia's aging population

0-14 = 133,825 = 14.5%

15-64 = 605,950 = 65.6%

65+ = 183,820 = 19.9%

*Source: 2016 Canadian Census*

## Ponzi Schemes

Someone running a Ponzi scheme will promise very high returns for low risk. And initially, they'll deliver those high returns. However, the catch is that there is no investment and none of the investor's money is being invested. Instead, they are being paid with portions of their own money, or money invested by other investors. The fraudster pockets the rest to spend on what is usually an extravagant lifestyle. Once new money stops coming in there is no more money to pay investors and the Ponzi scheme collapses.

## Recovery Scams

Scammers will try to revictimize someone that has already lost money to investment fraud by offering them a way to recover some of, or even all their lost money. All they need to do is pay a recovery fee. If they pay the fee, they'll simply be losing more money to the scammer.

## Red Flags of Investment Fraud



You were promised high returns for low risk.



You must act now and are given no time to consider the risks of the investment. Many fraudsters use high-pressure sales tactics and incite your fear of missing out by tossing around words like, “once in a lifetime opportunity,” and “one-time offer.”



You were given “insider” or “secret” information. Can you corroborate this secret information? If you are being given insider information on an investment it may be illegal tipping.



Is the investment legitimate? Does the company, fund or whatever you are investing in even exist? Make sure you can find corroborating evidence from a credible source.



You were required to provide payment directly to the investment seller. Paying money or writing out a cheque directly to an investment seller is a major red flag. Giving them your credit card information is also highly suspect as they could use it to steal even more money.

## Whenever you're considering an investment always....

... ask questions.

... be wary of high-pressure sales tactics.

... take as much time as you need to make a decision.

... fully understand any documents you are signing.

... check registration. Anyone dealing in investments must be registered with their local securities regulator.