

TOP INVESTMENT SCAMS GONE WILD

It's not hard to find the hottest investment scams. Just read the business headlines.

What's making money?

The who's who of scamsters are not household names like Bernie Madoff. They are guys working the Internet, selling the next "green technology" or smoothly working Ponzi schemes in church groups.

They might even be your neighbor. I just got an email from someone I didn't know in England who claims he was beaten and stranded. And all he needed was about \$10,000 to get back home! Coincidentally, I also met a fellow with the same story on the streets of Baltimore, although he was asking for considerably less.

These frauds are often hard to identify because our skeptical reasoning is often clouded by trust and greed (on our part), which the perpetrators count on when they work their wiles. I had a chance to catch up with some **state securities cops** recently. They are spotting some compelling pitches that are trapping investors all over the country. . . .

How do you avoid these deceptions? Employ the smell test. Are the returns touted far above market rates? Is high performance promised in a short period of time? What are the total fees and commissions involved before a single dollar is invested? Do some realistic comparisons.

Remember, the S&P 500 stock index was down 10 percent over the past decade despite rising 23 percent last year. Also ask for a prospectus and if what is being sold is a listed security. Better yet, check the background of the broker or adviser selling the investments. Do they have a criminal or disciplinary record?

You should be able to check their registration with your state securities regulator or through the securities industry's BrokerCheck system or through the SEC.

(Reuters, 5 October 2010)