

# Money for Life

August 2007

Dear Readers,

Everyone wants to earn top dollar on their investments. That's why offers claiming to be far more lucrative than financial institution accounts can be very tempting. But while many investments may be attractive and appropriate for your financial situation, others may be of questionable value or, in the worst cases, frauds. The FDIC offers these tips on how to spot a potentially bad deal or a scam.

**1. Be wary of unsolicited investment offers.** In particular, never divulge your Social Security Number, financial account numbers and other personal information in response to an unsolicited offer over the Internet, in the mail or by telephone, no matter how official or legitimate it may appear, until you have had an opportunity to verify it. Be suspicious of an unsolicited offer that promises "guaranteed" returns that far exceed what's available in the marketplace – for example, an annual profit of 50 percent or more when similar investments typically pay 10 percent or less.



Another warning sign is pressure to quickly say "yes" to an offer – before you have a chance to receive supporting documentation and research the investment, the company, and the person offering it. Also be cautious if you get an investment offer originating from outside the United States. Frauds from abroad are common, and if an investment does turn out to be a scam, sometimes it can be difficult to find and prosecute criminals in other countries

**2. Try to deal only with businesses and salespeople you already know or that have been recommended.** If you're tempted to send money or personal information to an unfamiliar company or

person, do your research first. This includes finding out if the company or sales person is licensed to do business by the state or federal government or has a history of disciplinary or other problems.

Fraud artists use deceptive advertising and Web sites to falsely claim to be legitimate banks, brokers or other financial firms offering a variety of products, including deposits they want you to believe are FDIC-insured. They also work under official-sounding corporate identities, often mimicking the names, logos and Web sites of well-known institutions. For that reason, don't trust the phone number provided in an unsolicited offer. Instead use a company's phone number that's listed in your phone book or another directory.

For guidance on whether a bank is legitimate, you can call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or use the FDIC's online directory of insured institutions, Bank Find, at [www2.fdic.gov/idasp/main\\_bankfind.asp](http://www2.fdic.gov/idasp/main_bankfind.asp). To check on a deposit broker or a non-banking firm, start with your state consumer protection office, which will be listed in the blue pages of your phone book and other directories. It may direct you to another state or federal government agency, such as the Federal Trade Commission, for more information.

**3. Get key details in writing and independently research the investment.** Before investing in anything, you should obtain a copy of important terms and conditions, which may include sales literature and a contract. These documents should spell out what you are required to pay or do and what you are promised in return.

---

It's also smart to do comparison shopping with at least two or three reputable companies in your community or online. With major investments in particular, get another opinion from a knowledgeable third party, perhaps a financial advisor or attorney.



FDIC officials stress the importance of knowing if a particular investment is "suitable" for you. Also, remember that investments such as mutual funds, annuities, stocks and bonds are not deposits and therefore are not protected against loss in the event of an institution failure by the FDIC. In fact, among the actions required before an FDIC-insured bank completes an investment sale is to have the customer sign a statement recognizing that he or she understands that the investment carries risks and is not backed by FDIC insurance.

**4. Alert the proper authorities about a possible investment scam.** Let your state consumer protection office, financial regulatory agencies or other authorities know if you've seen an advertisement or other unsolicited offer that you believe is suspicious or fraudulent. When it comes to a matter involving a bank or an entity claiming to be a bank, you can start by calling the FDIC toll-free at 1-877-275-3342.

### Classic Cons Continue

The age-old "Ponzi" or "pyramid" scheme is still netting big profits for con artists. In these frauds, criminals maintain the illusion of legitimacy by using money arriving from new investors to continue making dividend or other payments to the earlier investors. Eventually the crooks flee, leaving the remaining investors with worthless pieces of paper and losses often reaching into the millions of dollars.

**IOWA STATE UNIVERSITY**  
University Extension

Federal authorities report that recent examples of such scams involve con artists advertising on the Internet or in newspapers pretending to be banks or brokers promising high returns on stocks, bonds, certificates of deposit (CDs) or other financial instruments. One variation is the "affinity fraud," which the Securities and Exchange Commission has described as an investment scam targeting a specific group – perhaps a religious or ethnic community, the elderly or certain professionals – by someone who is or pretends to be part of that group.

### Questions to Ask Before Agreeing to an Investment

You should never invest in a product you don't understand. Here are suggested questions to ask before you commit to anything.

- Would this investment be suitable for my needs?
- Could I lose money with this investment? What is the most money I could lose?
- What if I later change my mind and want my money back? Are there deadlines or other restrictions? What are the potential fees and penalties?
- Have you given me copies of all the disclosures, contracts or other documentation I need to understand my rights and responsibilities?

### Newsletter contact information:

Phyllis Zalenski  
605 E. Main  
Anamosa, IA 52205  
319-462-2791  
319-462-4572 (FAX)  
[zalenski@iastate.edu](mailto:zalenski@iastate.edu)

*... and justice for all*

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.