

REACHING YOUR AUDIENCE

Communicating effectively about investment fraud is one of the best ways to raise awareness and reach out to investors—particularly since many investors do not believe they are at risk. The suggestions below summarize research funded by the FINRA Investor Education Foundation, which identified the prime targets for investment fraud and the sophisticated tactics used by fraudsters. You'll also find general tips to keep in mind when talking about investment fraud. These tips and the related research can be found in the *Boomers and Investment Fraud Research Findings Fact Sheet* in the **Related Resources** section of this toolkit.

The Face of Investment Fraud

❑ Investors ages 55 to 65 are an investment fraudster's prime target.

While anyone with money is bound to hear from a fraudster at some point, investors ages 55 to 65 are frequent targets of investment fraud. Research funded by the FINRA Investor Education Foundation found that typical fraud victims tend to fit the following description:

- ✓ Males, ages 55-65
- ✓ Self-reliant when it comes to making decisions
- ✓ Optimistic
- ✓ Above-average financial knowledge
- ✓ Above-average income
- ✓ College-educated
- ✓ Experienced a recent health or financial setback
- ✓ Open to listening to new ideas or sales pitches



❑ A majority of older investors do not perceive themselves as vulnerable to investment fraud; yet many of their reported investment behaviors put them at risk.

There are simple steps that every investor can take to reduce their risk, such as asking if a financial professional is licensed and checking whether a product is registered. Yet, a majority of older investors do not take these simple steps. The FINRA Investor Education Foundation's research found that:

- ✓ A majority of older investors indicated they did not check the registration status of a financial professional (65 percent) or a financial professional's background for any broken laws or violations (78 percent).
- ✓ A significant number of older investors (68 percent) did not check the registration of an investment product.

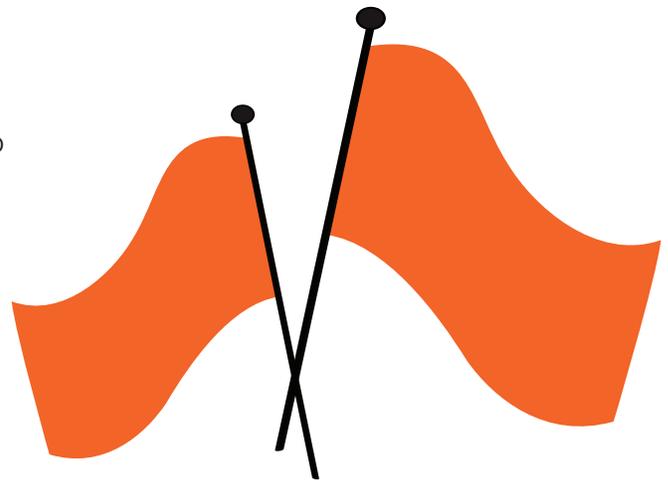
- ✓ Personal relationships often factor into decision-making. More than 40 percent of older investors have hired a financial professional recommended by a friend, relative, co-worker or neighbor. Roughly 35 percent have bought investments recommended by a friend, relative, co-worker or neighbor; and 23 percent indicated they rely on investment “tips” from people they know. Among identified victims of fraud, these numbers are significantly higher. Nearly 60 percent have hired a financial professional based on these kinds of recommendations from family and friends; and 70 percent have bought investments.
- ✓ Among older investors, victims of fraud were three times more likely to attend a free lunch investment seminar.

The Psychology of a Scam

- **Investment fraud criminals use a wide array of sophisticated and highly effective tactics to target and influence their prospective victims.**

Examples of common tactics include:

- ✓ **Phantom Riches**—Dangling the prospect of wealth by enticing investors with something they want but cannot have. “These gas wells are guaranteed to produce \$6,800 a month in income.”
- ✓ **Source Credibility**—Trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience. “Believe me, as a senior vice president of XYZ firm, I would never sell an investment that doesn't produce.”
- ✓ **Social Consensus**—Leading individuals to believe that other savvy investors have already invested. “This is how ___ got his start. I know it's a lot of money, but I'm in—and so is my mom and half her church—and it's worth every dime.”
- ✓ **Reciprocity**—Offering to do a small favor in return for a big favor. “I'll give you a break on my commission if you buy now—half off.”
- ✓ **Scarcity**—Creating a false sense of urgency by claiming limited supply. “There are only two units left, so I'd sign today if I were you.”



If these tactics look familiar, it's because legitimate marketers use them, too. However, one key difference is that real investment deals will still be there tomorrow. So investors should always take the time to stop and think before making a decision.

Prevention Messages That Work

Talking about investment fraud can be hard, unless you have the right messages. Why? As you just read, many investors do not believe they are at risk. So when confronted with a message about fraud prevention, many assume it's "not for them." Through our research, the following messages have proven effective when talking about fraud. As you review campaign materials throughout this toolkit, you will see that these key messages inform many of the resources.

❑ **How do smart investors become smarter investors?**

Our audience already believes they are smart when it comes to making financial decisions. However, they are always looking for ways to be even smarter. By talking about your workshop or activity as a way to become a smarter investor or by communicating that what sets smarter investors apart from smart investors is "asking and checking," you will find a receptive audience and won't perpetuate the myth that victims of investment fraud are dumb and gullible.

❑ **The tactics used by investment fraud criminals are sophisticated.**

Many investors think they can easily spot a scam. Noting that fraudsters are savvy and sophisticated in their work can help pique your audience's interest.

❑ **There are simple steps every investor can take to protect their finances and families from investment fraud.**

The focus on "simple steps" and "every investor" makes this message particularly strong because it positions the action step as easy and one that everyone can take, no matter their investing experience or savvy.

❑ **Before you invest, "ask and check."**

This is the single most important message that the campaign wants audiences to hear and remember. Why? Because asking questions and verifying the answers—like asking if the financial professional is licensed and checking to see if an investment product is registered—are the best actions an investor can take to prevent fraud.

❑ **Now that you have been part of this program, we're asking you to share what you've learned with others.**

Following your activity, ask audience members to share what they have learned with others. By repeating the tips they have learned, they will be more likely to remember them and will help to spread the message in their community.

