

For retirees, investment fraud hits too close to home

BY JOHN GANNON, PRESIDENT OF THE FINRA INVESTOR EDUCATION FOUNDATION

Ruth and Len Mitchell were defrauded out of their retirement savings by their accountant—someone they socialized with and trusted to handle their finances. Barry Korcan was their neighbor, kept the books for Len's business and did the Mitchells' personal taxes. So when Korcan—who also ran an investment company—offered to help the retirees invest \$100,000 in real estate bonds, the Mitchells wrote him a check.

Over time, many of their friends and business associates began investing with Korcan, too. Although they received statements from Korcan detailing their earnings, there was no investment company and there were no real estate bonds. And after the

IRS uncovered Korcan's \$11 million Ponzi scheme, he was convicted for mail fraud and tax evasion. The Mitchells lost their money.

How did Korcan do it? First, he spent time getting to know his victims to understand what motivated them and when they would be most susceptible to the con. Then, he applied several tactics commonly used by fraudsters to gain their trust and take their money. He used his status in the community to set himself up as a financial expert—a tactic known as "source credibility." He then used his relationship with the Mitchells to gain access to other friends and acquaintances. This is referred to as "social consensus." Since the Mitchells were investing,

their friends thought, it must be a good opportunity.

Today, the Mitchells are dedicated to fighting fraud and reminding others about the importance of researching potential investment opportunities—and the seller—in two easy steps:

First, ask questions. Ask if the person selling the investment is registered with FINRA or your state securities regulator. Ask if the investment is registered with the U.S. Securities and Exchange Commission or your state securities agency.

Second, follow through and check the answers. Don't just take their word for it. Check the information you receive with the proper

authorities. Call (888) 295-7422 or visit SaveAndInvest.org/55Plus for more contact information.

Ruth is one of several investors profiled in *Trick\$ of the Trade: Outsmarting Investment Fraud*, a free documentary offered by the FINRA Investor Education Foundation to help investors understand the persuasion tactics used by fraudsters and defend against fraud. Order your DVD today: SaveAndInvest.org/TricksOfTheTrade or call (866) 973-4672.

SaveAndInvest.org is a project of the FINRA Investor Education Foundation, in collaboration with AARP, the Alabama Securities Commission and the U.S. Securities and Exchange Commission.

We lost our retirement savings. Don't let it happen to you.

Two years before retiring to Arizona, my husband and I were defrauded out of our retirement savings. Our long-time accountant presented us with what sounded like a promising investment opportunity. We learned the hard way that it was all part of a complex Ponzi scheme. There were no real investments—just empty promises of future wealth. In the end, we lost more than \$100,000. If it happened to us, it can happen to you. Be sure you understand what you're investing in and take steps to protect yourself by checking to see if your financial professional and investments are registered.



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