

# Fraudster Bilked Florida Investors for Millions—Learn to Protect Yourself

By John Gannon, *President of the FINRA Investor Education Foundation*

Between January 2005 and November 2009, Florida businessman Nevin Shapiro defrauded dozens of victims in a multi-million dollar Ponzi scheme—a fraud in which he used new investors’ money to fund payments to existing investors. His victims thought they were investing in a wholesale grocery distribution business. Shapiro promised his investors returns of up to 26 percent—far higher than the returns investors would expect to earn in the stock market.

In reality, there was no grocery distribution business. Instead, investors were funding Shapiro’s extravagant lifestyle—a mansion in Miami Beach, a yacht and luxury car, attendance at high-profile sporting events and payment for gambling debts. He collected more than \$880 million before the scheme eventually collapsed. In April 2010, federal prosecutors and the Securities and Exchange Commission (SEC) charged Shapiro with fraud.

How did Shapiro con these investors? He used a persuasion tactic known as “phantom riches”—playing off investors’ desires to make money fast and guaranteeing the prospect of wealth. He promised investors risk-free securities. He showed investors fake documents that highlighted the

company’s exaggerated profitability and projected growth. Shapiro also reassured investors by boasting of his own wealth and showing off his extravagant lifestyle.

Shapiro is just one of many recent examples of fraudsters who have taken billions of dollars from Florida investors. The good news is there are simple steps investors can take to protect themselves from investment fraud. *(See sidebar for details.)*

You can become a smarter investor by ordering a free copy of *Trick\$ of the Trade: Outsmarting Investment Fraud*, a 60-minute documentary produced by the FINRA Investor Education Foundation that reveals unexpected details about the profile of a fraud victim, uncovers the persuasion tactics used by fraudsters and highlights tips and tools investors can use to defend against fraud. **Order your free copy today** at [SaveAndInvest.org/TricksOfTheTrade](http://SaveAndInvest.org/TricksOfTheTrade) or by calling (866) 973-4672.

*SaveAndInvest.org is a project of the FINRA Investor Education Foundation, in collaboration with AARP, the Florida Office of Financial Regulation, the U.S. Securities and Exchange Commission and Seniors vs. Crime.*

## How to Avoid the Promise of “Phantom Riches”

“Phantom riches” is a tactic used by fraudsters to con you with the prospect of future wealth. Protect yourself:

- 1. Learn to recognize the red flags.** Beware of any seller who guarantees returns, promises high returns or offers a risk-free investment.
- 2. Take time to think through the pitch.** What is the salesperson really saying? Is he dangling incredible returns? Guarantees? Is he saying that the investment itself will lead to a different—and much better—lifestyle?
- 3. Ask questions.** Ask the seller if the investment is registered with the SEC or the Florida Office of Financial Regulation.
- 4. Check the answers before investing.** Don’t just take the seller’s word for it. Check the information you receive with the proper authorities.

More information is available at [SaveAndInvest.org/55Plus](http://SaveAndInvest.org/55Plus).