

Indiana MoneyWise

A publication provided by THE INDIANA SECRETARY OF STATE



**HOW TO PROTECT
YOUR NEST EGG
FROM SCAMMERS**
4 TIPS TO BECOMING
MORE SECURE

**WHY ARE SENIORS
A PREFERRED TARGET
OF FRAUDSTERS?**
6 RED FLAGS TO
HELP YOU AVOID
FALLING VICTIM

SENIOR FRAUD ISSUE

TOP 10 THREATS FACING INVESTORS

FIND OUT IF YOU ARE AT RISK

PLUS:
HOW TO SPOT
A CON ARTIST
AND MORE

Dear Hoosiers,

Thank you for reading the Indiana Secretary of State's e-magazine. The purpose of the e-magazine is to provide Hoosiers with timely tips and information on smart money management skills and how to be financially fit.

This month, we are focused on educating seniors about investment fraud. Seniors are a prime target of scammers for many reasons. Scam artists know seniors have money, they tend to be trusting, and many live on a fixed income so the idea of a guaranteed investment sounds appealing. Scammers know this and look to take advantage of seniors, but in this issue of the Indiana MoneyWise e-magazine, we will teach you the red flags of fraud so you can protect yourself and your loved ones.

We will also teach you what questions to ask any potential investment advisor or anyone who offers you an investment. Knowing how to spot a scam and a scam artist will help you protect your nest egg and enjoy retirement.

Sincerely,

A handwritten signature in black ink that reads "Connie Lawson". The signature is written in a cursive style and is enclosed in a thin black rectangular border.

Connie Lawson
Indiana Secretary of State



MISSION STATEMENT

It is the mission of the office of Secretary of State Connie Lawson to deliver to the people of Indiana government-as-a-service that focuses on unqualified integrity and accuracy in our elections, consistent and principled regulatory methods, ceaseless protection of Hoosier investors, and the most efficient use of taxpayer resources.

What services make up the Secretary of State's office?



There are four main divisions that comprise the Secretary of State's office (Click on the name of the services to learn more): [Business Services](#), [Elections](#), [Securities](#) and [Auto Dealer Services](#).

The Office of Secretary of State is one of five constitutional officers originally designated in Indiana's State Constitution of 1816. Sixty-one Hoosiers have served as the third highest-ranking official in state government.

Historically the duties of the office included the maintenance of state records and preservation of the state seal, but as state government expanded so did the responsibilities of the Secretary of State. Present duties include chartering of new business, regulation of the securities industry, oversight of state elections, commissioning of notaries public, registration of trademarks and licensing of vehicle dealerships throughout Indiana.



LEFT: Secretary Lawson serving biscuits and gravy at the Shelby County Senior Center before a fraud prevention session.

Contact info

Mailing Address - Statehouse Office
Office of the Indiana Secretary of State
200 W. Washington St., Room 201
Indianapolis, IN 46204

317-232-6531

Constituent E-mail: constituent@sos.IN.gov
Looking for a specific person? Check out our
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Why Are Seniors a Preferred Target of **FRAUDSTERS?**

From the Greatest Generation to new retirees in the Baby Boomer population, people over the age of 60 account for 30% of investment fraud victims.

To make matters worse, this is a growing problem. The 65-and-older population grew 18% between 2000 and 2011 to 41.4 million and the aging population is expected to nearly double by 2029.

Several factors add up to equal an appealing target. Let's take a look at some common traits among seniors that are exploited by fraudsters.

Trusting – Seniors grew up in a different generation in which they feel people were more trustworthy, they knew their neighbors and they came from small communities.

Polite –Etiquette is changing. While younger people are fine with telling someone to leave them alone, a senior citizen may feel it's rude to hang up when they receive an unsolicited call.

Lonely – Many seniors, especially widows, are socially isolated and possibly depressed. A fraudster who offers companionship has a better chance at manipulating seniors.

Interested – If a senior made bad financial decisions in the past and is now worried about the future, he or she could be looking for good deals. The promise of high returns with low risk is too tempting to pass up.

On top of that, cognitive decline is also a neurobiological basis for seniors' vulnerability to financial exploitation. According to a 2012 article published in the Journal of the American Society on Aging, 35% of people over the age of 71 showed some form of mental impairment or dementia.

While it is easy enough to see how dementia could lead to poor decision making with money, even people with mild cognitive impairment are at risk. Dr. Daniel Marson, Professor of Neurology at the University of Alabama at Birmingham, found people with mild cognitive impairment make FOUR TIMES the financial errors as those without the condition.

Financial exploitation of seniors is about more than money. It's a health concern. That's why the Elder Investment Fraud and Financial Exploitation program was created. Seniors, their families and even their medical care providers are encouraged to visit www.investorprotection.org to learn more.

HOW TO SPOT A **CON ARTIST**



The seller is not licensed or registered.

You can easily check with the Office of the Indiana Secretary of State through our searchable databases on the Indiana Security Division's website. Individuals and firms in the financial services industry must meet certain requirements. Taking time to research a seller and their investment offer could save you in the long run.

No written information is provided.

Ask for a prospectus. It is a legal document that provides details about an investment offering. The prospectus or "offer document" will contain the facts you need to make an informed investment decision.

The seller refuses to take no for an answer.

You should be suspicious of any seller who pressures you to "act now" or says this is a "limited time offer." If they're pushing you to make a decision immediately, it is probably because they don't want you to find out they are selling a scam.

Con artists are pretty clever. They prey upon our emotions, hopes, dreams and fears. It is important to understand that they are very good at what they do. Duping people is what they do for a living. Here are some red flags that can help you spot a con artist and avoid falling victim.



The seller is hesitant to answer your questions.

Con artists seem to have an answer for everything, but if your questions make them uncomfortable, it is best to walk away. Ponzi schemer Bernie Madoff once said he only turned people away when they asked too many questions.

They promise high returns with low risk.

Returns and risks go up and down together. There is no such thing as a "no risk" investment. All investing comes with some risk attached.

You are asked to keep this "exclusive" offer a secret.

Con artists do not want to be caught. Therefore, they pick their victims carefully. They do not want you telling someone who might uncover the scam.

Finally, trust your gut. Many victims report feeling uneasy about the decisions they were making. Just know that if an offer sounds too good to be true, it is!

Top Threats Facing Investors



Each year, the North American Securities Administrators Association, or NASAA, releases a list of the top threats facing investors and business owners. Below are some of the more popular threats. The full list can be found [here](#).

Private Offerings

- An exemption in federal securities law allows private placements to be sold to investors without registration. This type of investment can't easily be sold or exchanged for cash without losing much of its value. Private offerings have little regulatory oversight and carry a high risk.

Real Estate Investment Schemes

- Despite an improving housing market, schemes related to the development, purchase, renovation and flipping of distressed properties remain popular. A recent NASAA survey found real estate investments were the second-most common product leading to investment fraud investigations by state regulators.

Ponzi Schemes

- Everyone wants a big return on their investments, which is why so many people still fall victim to Ponzi schemes. The schemes promise unbelievably high rates of return. They gain momentum because initial investors are paid a substantial return in hopes they will spread the word and attract new investors. Just remember that high returns mean high risk.

Affinity Fraud

- This type of fraud preys on the trust of members of a targeted group, organization or community by exploiting similarities of the members. Affinity fraudsters target religious and ethnic groups, the elderly, recent immigrants and business associates. Members of the group often find it hard to believe that "one of their own" could be scamming them and victims are hesitant to pursue legal action against someone they know.

Oil and Gas Drilling Programs

- Oil and gas drilling investments are appealing alternatives for investors who are frustrated with stock market volatility or skeptical of Wall Street. They involve a high degree of risk, so they're only suitable for investors who can bear a substantial loss.

Why are seniors targeted by
investment fraud?



QUIZ: Are you at RISK?

Fraudsters can strike anywhere at any time.



Knowing how they operate can protect you, but it is equally important that you understand yourself and your level of investment knowledge. Take this quiz to see if you're vulnerable.

1. Do you need to investigate the seller before purchasing the investment?

- A.** No need. I've know the seller for a long time and he promised me he was registered.
- B.** Yes! You should always investigate the seller to make sure they are registered.

2. Should an investment with the promise of 20% returns raise a red flag?

- A.** No, that sounds like a great deal.
- B.** Yes, if it sounds too good to be true, it is!

3. Should you invest with someone based solely upon the recommendation of a friend or family member?

- A.** Sure. If they trust the seller, then that is good enough for me.
- B.** No, you should always do your own research.

4. Would you be more likely to invest with a broker if other investors showed signs of great wealth?

- A.** Absolutely! That's a good sign it is legitimate.
- B.** No, just because they are making money doesn't mean I will.

5. Would you listen to an investment pitch if something free was offered in return?

- A.** Yes, there can't be any harm in doing that.
- B.** Maybe, but I would be cautious in doing so.

If you chose mostly Bs, congratulations! You are well on your way to making smart investment decisions.

If you chose mostly As, below are some tips to help you avoid being scammed:

1. Always check to make sure your seller and the investment are registered. Search the Indiana Securities database to make sure the person taking your money is licensed to do so and that the investment itself is registered.

2. Investments that promise high returns with little to no risk are often fraudulent.

3. You need to do your own research. Recommendations are only part of the investigation process. Keep in mind that your loved ones could be victims and not yet know it.

4. Just because other investors are making lots of money, doesn't mean the investment is legitimate. In a Ponzi scheme, many of the initial investors do make large dividends to help draw in more victims.

5. Free incentives are often used by con artists to lure you in. Then they use high pressured sales tactics to get you to invest. Remember, if you do get something free, it doesn't mean you're obligated to invest.



How do scam artists target seniors?



FRAUD STOPPERS:

Real life stories of investment fraud

Johnson County man sentenced to 18 years for running a Ponzi scheme

Scam bilked investors out of over \$100,000

On June 9, 2014, Rudolf "Rudi" Pameijer of Trafalgar was sentenced to 18 years and ordered him to pay \$1.8 million in restitution for his role in a Ponzi scheme that bilked 24 investors from Johnson and Hendricks counties and the State of Colorado for more than \$1.5 million.



Pameijer portrayed himself as an expert financial advisor and then use his sham company, Plan America, LLC, to sell fraudulent investment contracts and securities in the form of promissory notes to the unsuspecting victims.

Neither Pameijer nor Plan America were registered to sell securities in the State of Indiana. He scammed his clients by guaranteeing their initial investment and promised high rates of return. In some instances, Pameijer exploited family and friends. He would even persuade some of his clients to terminate existing annuities & liquidate retirement accounts to fund the investment, despite the substantial penalties.

"This case is a classic example of a Ponzi scheme," said Secretary Lawson. "Pameijer would prey on the personal relationship and trust that he had established with his victims.

He would manipulate the facts about the investment and his credentials.

"Unfortunately, Pameijer could have been stopped in his tracks. Neither his company nor his products were ever registered with our office. If only one investor would have called my office or checked our online database, his scheme would have crumbled. I hope this serves as a reminder to always make sure the investment product and the provider are properly registered with my office."

Johnson County Judge Mark Loyd sentenced Pameijer to a total of 18 years. Eight of the years were suspended with the remaining 10 years to be served in prison. Pameijer was also ordered to pay \$1.8 million in restitution.

Don't be a victim of investment fraud.
Find out ways to protect yourself here
in.gov/sos