Investment Fraud

Guarding Your Assets in a Scary World

John Maron
Director, Investor Education Program
NC Dept. of the Secretary of State
Securities Division
PO Box 29622
Raleigh, NC 27626-0622
(919) 814-5560
jmaron@sosnc.gov
OUR NUMBERS HAVE CHANGED!!

- With the **exception** of our fax and toll-free numbers, the Secretary of State’s office telephone numbers have all changed!

- The changes have **NOT** yet been made on all of the materials in your handouts.

- Please note that the Department’s new **MAIN NUMBER** is:

  (919) 814-5400

- Also, our website is [www.SOSNC.GOV](http://www.SOSNC.GOV)
Disclaimer

- This workshop is presented as an educational experience and the information provided should not be construed as legal advice.
- The views expressed are those of the presenter.
- Presenter believes all information is truthful and accurate; however, mistakes can occur and laws and regulations may change.
Investment Fraud -- Effects
Investment Fraud

NC Dept. of the Secretary of State
Administers and Enforces:

NC Securities Act (N.C.G.S. § 78A)
NC Investment Advisers Act (N.C.G.S. § 78C)
NC Commodities Act (N.C.G.S. § 78D)
What is a “security”?

Full definition is found at N.C.G.S. §78A-2(11); however, *in general*:

A “security” is any investment in which the investor has a reasonable expectation of making a profit as the result of the managerial or entrepreneurial efforts of others.
Registration Requirements

1. With limited exceptions, anyone who sells a security or provides investment advice must be licensed and registered with the Securities Division.

2. With limited exceptions, all securities must be registered with the Securities Division.
For More Information

NC Securities Division (1-800-688-4507)
WWW.SOSNC.GOV
Types of Scams

• I immigrated to the US in 1903 at age 20.
• In 1920, I devised a scheme that still bears my name today.
• I opened a company in Boston telling investors that I could provide a 100% return in just 90 days.
Types of Scams

- Could buy the coupon in Rome for 1.5¢ each
- Could sell the coupon in Boston for 5¢ each
- 233% profit!!
Types of Scams

• I was deluged by investors, taking in $1M in one 3-hour period.

• I went from being penniless to exceedingly rich to penniless and imprisoned in less than a year.
Types of Scams

• By the time I was exposed, I had taken investors for $10M - $15M ($115M - $182M in 2017!) while only investing ~$50.

• What is my name?

My name is:

Charles Ponzi
Not “Fonzi”!
Types of Scams

We continue to refer to similar scams as “Ponzi Schemes.”
Ponzi Schemes Are Alive & “Well”

This fellow was convicted of pulling off the biggest Ponzi scheme in history.
Ponzi Schemes Are Alive & “Well”

He “made off” with $18 billion in investor money.

BERNARD L MADOFF
Fed. Reg. #61727-054
Ponzi Schemes Are Alive & “Well”

Madoff used to live here.

He used to own this.
Ponzi Schemes Are Alive & “Well”

Now he lives here.

Scheduled Release Date: 11/14/2139
Ponzi Schemes Are Alive & “Well”
(Even in North Carolina!)
Between 11/2005 – 05/2009, he defrauded at least 16 Durham-area investors, many of them retired educators, out of $1+ million.

Told investors they would earn 8%-10% returns over 4 years.

He cut and pasted some clients’ signatures on agreements without their authorization.

Failed to disclose to investors that he had been banned from the securities industry in 2001 and that the Secretary of State’s Office had issued a Cease & Desist order against him in 2007.
Affinity Fraud

- Fraud aimed at members of a group sharing a common characteristic.

- Targets: Seniors, ethnic groups, religious groups, professional or civic groups.

- Con man: “You can trust me because I’m just like you.”
Who Is Most At Risk?

Seniors are the #1 target of fraudsters

Why?

$senior$ are $saver$ with acce$$ to ca$h!
Exploding Myths & Assumptions
Who Is the Typical Investment Fraud Victim?

Perceived victims of investment frauds are:

• Older women
• Real “Bozos”
• The poor trying to hit it big
Exploding Myths & Assumptions

Who Is the Typical Investment Fraud Victim?

In reality, victims are more likely:

- To be male
- To be college educated
- Have incomes >$50K
- Think their judgment is better than others’

(March 2011, AARP Foundation)
Other Threats: “Free Lunch” Seminars

Protect Your Nest Egg From The Retirement Vultures!

- Learn how your financial assets become taxable, tax deferred, or tax free.
- How and why it is important to avoid probate. Learn how to make your will incontestable. What are the risks of being without a power of attorney or a revocable living trust?
- Learn how to preserve and protect your assets for the surviving spouse. Don’t be forced into Medicaid’s cruel “Spend down” tactics.
- How to lower or eliminate taxes on your Social Security check.
- What every annuity owner should know. How to transfer tax deferred annuities to your heirs... tax free.
- IRAs: Can I pass my IRA to my heirs with minimal or no taxation? Learn who the “real” primary beneficiary is on your IRA. If you think it’s your heirs, you’re wrong!
- How to greatly increase the death benefit on your life policy... free.
- Stock Market Volatility! Should I Hold? Buy more? Or Sell? You no longer have to play the market. Learn the facts your broker will never tell you.
- Investment alternative to Wall Street. Know how seniors participate in all the upside market gains without any of the downside risk... Guaranteed!
- Straight Talk About Reverse Mortgages: A special type of mortgage that enables you, as a senior homeowner, to tap the equity you have in your home while giving you the maximum amount of flexibility to address your particular financial needs.

...is a long time resident of NC, where he resides with his wife and three sons. He has been involved with financial planning for over 20 years. As a Senior Estate Planning Specialist, he has worked with many of the highest rated institutions in the financial world.

Leave your checkbook at home. There is no cost or obligation. Nothing will be sold or offered for sale at this seminar.

DINNER
Tuesday
February 5, 2008
4:00 pm

OR

DINNER
Tuesday
February 12, 2008
4:00 pm

LOCATION
Port City
CHOP HOUSE
1981 Eastwood Road
Wilmington, NC

Your RSVP Code #
209769

To make your reservations, call (866) 215-1487 and give the RSVP. Your Code # or send in the enclosed reply card today!
Professional Titles/Certifications

Financial Analyst
Financial Adviser (Advisor)
Financial Consultant

Financial Planner
Investment Consultant
Wealth Manager

• All are generic terms or job titles, and may be used by investment professionals who may not hold any specific designation.

• Some include terms like “Certified”, “Professional”, “Registered”, but are marketing tools and not issued by any regulatory body.

• “Trust but verify.” Do not rely solely on a person’s title or certification. Check their credentials with the Securities Division, FINRA or the SEC.

• Go to www.finra.org and search for “Professional Designations” for more info.
JOHN J. MARON, CHSG, PDQ, LOL

International Wealth Manager

Maron Wealth Consultants, LLC
Raleigh, NC 27602
(919) 555-1234
John.Maron@MWC.com
Emerging Threats: 21st Century Ponzi Schemes

Remember this from the 1920s?
Emerging Threats: 21st Century Ponzi Schemes

Meet its 21st Century Cousin: Cryptocurrencies!
What Are Cryptocurrencies?

• Cryptocurrencies exist **only** on the internet

• They are **not regulated, backed or insured** by any government.

• **No guarantee** that you can exchange them for fiat currencies like US Dollar or the Euro.

• Their **values** are only what other people are prepared to pay for them on the internet.
How Are Cryptocurrencies Used in Investing?

- **Initial Coin Offerings (ICOs)**
  - Company/person creates a digital coin or token and offers it for sale in order to raise capital. (Form of crowdfunding.)
  - Not to be confused with **Initial Public Offerings (IPOs)** where stock is offered.
Dangers of Crypto Investing

• Very susceptible to Pump & Dump scams.

• Ponzi schemes that often include a multi-level marketing component where promoters get commissions. *(Warn your grandkids that they could be unlicensed sales reps!)*

• Promoted primarily through social media like YouTube, Reddit and Twitter.

• Since all of this is on the internet, it is extremely hard to know exactly who you are dealing with and where they are physically located.
Dangers of Crypto Investing

Would you trust cartoon characters with YOUR money?
Dangers of Crypto Investing

If so, *these* characters have a DEAL for *you*!
Think With Your Head, Not Your Heart

• Be wary of the emotional appeal.

• Remember, investing is a **business decision** and should be subjected to the same rigorous analysis you would for any other business decision.
Think With Your Head, Not Your Heart
In most disputes with your brokerage firm, it will be your documentation vs. their documentation.

- Keep detailed notes on all conversations, buy/sell orders.
- Our “Smart Investor Notepad” can help.

What’s Being Done to Protect Vulnerable Adults?

FINRA Rule 2165
(Financial Exploitation of Specified Adults)

- Effective Feb. 5, 2018, brokerage firms may place a temporary hold on disbursements from the accounts of specified adults when there is reasonable belief of financial exploitation.
What’s Being Done to Protect Vulnerable Adults?

FINRA Rule 4512 (amendments)

• Effective Feb. 5, 2018, brokerage firms are required to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer’s account.
Recap: Warning Signs of Fraud

- Promises of high returns.

- Pressure to make an immediate decision.

- Appeals to your fears (psychological tactics).

- Offers to help “make back” lost money.
• If an investment sounds too good to be true – **IT IS!!!**

• Don’t let *embarrassment* prevent you from calling the Securities Division.

• Don’t invest until you call the Securities Division (1-800-688-4507) to check the registration of the product **and** promoter.
We also manage the Advance Health Care Directive Registry

If you or a client have any of the following:

- Health Care POA
- Declaration of a Desire for a Natural Death
- Advance Instruction for Mental Health Treatment, or
- Declaration of an Anatomical Gift
One More Thing

We will scan the documents and send the client two Registry Cards that contain the file number and a password. (Original documents will be returned.)

BENEFITS:

• Directives are now in a secure location and are easily retrievable 24/7/365 from anywhere with Internet access

• Reduces family strife – loved one’s wishes are known

• Not limited to NC residents – Family in states without a registry may send their documents to us and we’ll store them just as we do for residents

• Cheap! Only $10.00 for each document!
One More Thing
Advance Health Care Directive Registry

www.sosnc.gov -- follow links for Advance Health Care Directive Registry
Please add my email address to your address book to help ensure my mailings aren’t blocked as “spam”.

jmaron@sosnc.gov
How’d We Do?

WE WELCOME YOUR COMMENTS
PLEASE CIRCLE YOUR RESPONSE BELOW

WAS THIS PROGRAM INFORMATIVE?    YES  NO  SOMewhat
 THE PRESENTATION WAS:     CLEAR  TOO FAST  TOO SLOW  HARD TO FOLLOW
 THE SPEAKER WAS:           EXCELLENT  VERY GOOD  GOOD  FAIR  POOR
 I WOULD RECOMMEND THIS TO OTHERS?  YES  NO

PLEASE SEND ME EMAIL ALERTS: (please print legibly)
 I reside in:     City: ____________    County: ______________

SUGGESTIONS FOR IMPROVEMENT:

___________________________________________________________

THANK YOU
Contact Information

Investor Education Presentations:

John Maron
Director, Investor Education Program
NC Department of the Secretary of State
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Raleigh, NC 27626-0622
(919) 814-5560
jmaron@sosnc.gov
Main #: (919) 814-5400