



C. L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

CONTACT:
Patricia Highley
Education Outreach Coordinator
Securities Bureau
(208) 332-8077

NEWS RELEASE

For Immediate Release

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Financial Literacy Month Tip of the Week

Social Networking: Scam Artists Are Looking to Network with You!

Is the Investment Legitimate? What are the Risks?

Boise, Idaho...Connecting with others on social media such as Facebook, Twitter, LinkedIn, eHarmony is fun and easy to do. But what are the risks to your financial welfare? "A scam is not too difficult to see if you are aware of, and pay attention to, the red flags of fraud," said Gavin Gee, director, Idaho Department of Finance. "Social networking has many of the same red flags as traditional types of fraud."

The Wall Street Journal recently reported on a Brunswick Group survey showing that some "70% of nearly 500 institutional investors and sell-side analysts surveyed around the globe said digital media will have a greater impact in future investment recommendations and decisions. And 29% of these investors say they are following up on ideas initially identified on social-media platforms, such as Twitter, to make those decisions." Along with the promotion through social media of legitimate investments, there are scams being promoted as well.

How do scam artists exploit social networks?

By joining and actively participating in a social network or community, the scam artist is able to build credibility and gain the trust of other members of the group.

In online social networks, a con artist can establish this trust and credibility more quickly. The scammer has immediate access to potential victims through their online profiles, which may contain sensitive personal information such as their dates or places of birth, phone numbers, home addresses, religious and political views, employment histories, and even personal photographs.

What are the red flags of an online investment scam?

Online investment fraud has many of the same characteristics as offline investment fraud. Learn to recognize these red flags:

- **Promises of high returns with little or no risk.** Guarantees of returns or promises of exceptional returns are too good to be true. Remember that as the potential for reward increases, risk also increases.
- **Offshore operations.** Many scams are headquartered offshore, making it more difficult for regulators to shut down the scam and recover investors' funds.
- **E-Currency sites.** These sites are likely not regulated, and the scam artists use them to cover up the money trail.
- **Recruit your friends.** Most scam artists will offer bonuses if you recruit your friends to invest.
- **Professional Web sites with little to no information.** It's easy to make a website look professional, but scam sites offer little to no information about the company's management, history, location or details about the investment.
- **No written information.** Online scam promoters often fail to provide a prospectus or other form of written information detailing the risks of the investment and procedures to get your money out.

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How can I protect myself from fraud in social networking?

- **Contact the Idaho Department of Finance.** Before investing any money, contact the Idaho Department of Finance to learn more about the background of the salesperson and the status of the investment.
- **Protect your personal information.** Deter theft of your personal information by tightening privacy settings and adjusting security settings often. Think twice about posting personal information online.
- **Search the names of all persons and companies connected to the investment being offered.** Do a search for the name of the person offering you the investment and the companies involved in the investment. If there are few results, or their name doesn't appear anywhere outside of the one investment program they're offering you, that's a red flag that they may be using multiple aliases, or hiding behind a fake identity.
- **Beware of the use of names or testimonials from other group members.** Scam artists frequently pay out high returns to early investors using money from later arrivals (Ponzi scheme).
- **Obtain a prospectus.** Ask for written documentation that details the risks of the investment and procedures to get your money out.
- **Do not take the word of a salesperson.** Don't feel pressured to "act now." Take time to check out the investment yourself, and remember the old adage: "If it sounds too good to be true, it probably is."

Evaluate every investment opportunity in the virtual world the same way you would in the real world.

For more tips on recognizing, avoiding and reporting investment fraud information visit the Department's website: <http://finance.idaho.gov>.

April is Financial Literacy Month. Department of Finance Press Releases and a list of **free** financial literacy events can be found on the Internet at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.