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NEWS RELEASE

For Immediate Release

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Financial Literacy Month Tip of the Week

High-Yield Investment Programs

Know the Facts Before Investing

Boise, Idaho...Everyone wants to maximize their investment earnings, and legitimate high yield products can be a way to do that. But be careful of scam artists that tout unrealistic returns or guarantees. "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. "High yield investment programs have many of the same red flags as traditional types of fraud."

What are HYIPs?

Have you ever seen an ad on the Internet or a posting on a social media site promising too-good-to-be-true rates of return in short periods of time? Then you may have encountered an advertisement for a high-yield investment program, sometimes referred to as an HYIP.

HYIPs are frequently Ponzi schemes sold by unlicensed individuals. In the past, con artists relied on word of mouth to lure investors into these investments. Now they rely on the Internet and social media buzz to quickly popularize their schemes before the fraud is discovered.

The most notable characteristics of HYIPs are the promise of very high returns at little or no risk to the investor and the paying of referral fees to current investors for bringing in new investors. In this way, HYIPs blend elements of both Ponzi and traditional pyramid schemes into one scheme that can spread faster than ever before.

In one recent HYIP, the company offered memberships that purported to provide investors with up to a 60 percent profit in 100 days. In less than a year, the company took in more than \$10 million from investors. The company relied on Biblical themes and the promise of high profits to lure unsuspecting investors. All investors' proceeds were lost.

How to Recognize an HYIP Scam

- The promise and frequently a "guarantee" of high daily, weekly or monthly returns.
- An offer from the company to pay "referral fees" to investors for bringing in additional investors.
- The use of social media to spread the word and praise the program.
- The promoter provides very few details about who runs the company and how profits are generated.
- The promoter may require that the investor open an e-currency account to invest. E-currency accounts are often not licensed as a money transmitter.

How to Protect Yourself

- Be sure to check with your securities regulator before investing. Most of these schemes are unregistered investments. Also, these schemes may involve international operations, which means it may be very hard, if not impossible, to get your money back.

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- Do not blindly trust an investment just because your friends or family are involved or if it relates to your religious, social or business affiliation.
- Ask questions about how the returns will be made and who the company officers are. If these questions cannot be answered to your satisfaction, then do not invest.
- Do not trust the investment just because you receive early returns. Remember that is how they rope you in and get you to recruit your friends.
- Be wary of the “get in early and get out fast” recommendation. Many HYIPs advertise that one way to make profits fast is to invest early then get out early, but you never really know when the scheme is going to stop.

The Bottom Line

It pays to do your homework before you invest in any investment opportunity. If you have any questions about high-yield investment programs, contact the Idaho Department of Finance or visit our website.

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

*Governor Otter has proclaimed April as 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.*