

Moderator's Guide
Commodity Futures Trading Commission (CFTC) August, 2013
Guide Length 90 minutes

I. GROUND RULES AND INTRODUCTION [10 minutes]

1. *Welcome everyone. My name is _____. I am an independent marketing researcher. Thank you for coming for this discussion. Before we begin, I'd like to explain a few things about the discussion.*

The sponsor of this research wants to talk to consumers about personal finance and where to best find information about it. For those of you who have not ever participated in a focus group before, let me explain. A focus group is used to gather ideas and opinions from a group of individuals who have some familiarity in the topic, by means of directed discussion. It is like taking a telephone survey or filling out a comment card, but we are talking to a small group of you for just over an hour to allow for a discussion. All feedback will be used for research purposes only. Now let me share a couple of ground rules for this discussion.

- a. First of all, I want everyone to know there are **no wrong answers**. (We want to know your opinions and those opinions might differ. This is fine. We want to know what each of you thinks about the topics we will be discussing.)
- b. You have probably noticed the microphones in the room. They are here because we are **videotaping** the discussion. Afterwards, I have to write a report. I want to give you my full attention and not have to take a lot of notes. Also, because we are taping, it is important that you try to **speak one at a time**. I may occasionally interrupt you when two or more people are talking at once in order to be sure everyone gets a chance to talk and that responses are accurately recorded.
- c. Behind me is a one-way mirror. Some of the people working on this project are observing this discussion so that they can hear your opinions directly from you. However, your identity and anything you personally say here will remain confidential. By confidential I mean your names, addresses, and phone numbers will not be given to anyone, and no one will contact you after this group is over. When I write my report, I will not refer to anyone by name.
- d. Please silence your cell phones. The group will last only 90 minutes. Should you need to go to the restroom during the discussion, please feel free to leave, but we'd appreciate it if you would go one at a time.

2. Now, first let's spend a little time getting to know one another. Let's go around the room and introduce each of ourselves. Please tell me:
 - a. First name,
 - b. Where you live and who you live with (family, pets, plants, etc),
 - c. And, a little bit about yourself, such as what you like to do in your spare time

II. Approach to Finances (10 minutes)

Now I want to spend some talking about a specific topic, and that's personal finance. And don't worry, I'm not looking for you to tell me how much money you make or to test your financial knowledge! I'm really just interested in your approach to managing your finances.

1. To start, what words or phrases first come to your mind when you think about *your* approach to managing your finances? What makes you say that? [MODERATOR TO NOTE WORDS ON AN EASEL]
 - a. How is your approach to managing your finances different now than it was in the past? If different, what has changed in your life that has impacted your approach?
 - b. Are there certain financial products or investments that you are more interested in right now? What is it about these products that make them appealing?
 - c. How about products outside of the stock market, is that something you're open to? If so, what types of products peak your interest? What makes you say that?
 - d. Speaking of products outside of the stock market, how familiar are you with commodities or futures?
 - i. [For those who are familiar] What can you tell me about these types of investments?
 - ii. [For those who are familiar] How interested in are you in investing commodities or futures? What makes you say that? [PROBE: Are they interested in investing in physical commodities (i.e., like buying gold) or only trading futures in commodities?]
2. In your opinion, when is it better to take some risks for higher returns?
 - a. Why types of investments are good for that?
 - b. How do you judge if expected returns are realistic? [Probe on overly consistent returns, guarantees, promises of little or no financial risk for the chance of high return]
 - c. On the flip side, when is it better to take a more cautious, less risky approach?
 - i. Why types of investments are good for that?
3. How would you describe the difference between a bad investment decision and actually being defrauded? [PROBE: To what extent are they able to tell the difference?]

III. Researching Investments (10 minutes)

1. [DISTRIBUTE HANDOUT X] Thinking about some recent investment decisions you have made, on your handout you will see three sets of lines. In those three lines I would like you to write in the top 3

sources you used to help you make those most recent investment decisions. We will discuss when you are done.

- a. What is it about these sources that make them best suited to help you in your decision making?
 - b. [For those who chose investment professional as a source] What types of information did the person share with you about their credentials that made you trust the information that they gave to you?
 - i. Do you believe it is necessary to confirm the legitimacy of specific product or person selling the product before investing? Why or why not?
 - ii. If so, how would you go about confirming the legitimacy of a product or track-record of a salesperson? [MODERATOR PROBE ON CHECKING IF PRODUCT IS REGISTERED WITH SEC OR SOME OTHER REGULATORY AGENCY]
 - c. [For those who chose family/friend as a source] Why do you trust this person on this topic? What makes them more trustworthy over other family or friends for this topic?
 - d. [For any mention of secondary sources, such as magazines, websites, TV programs, etc] Are there specific magazines, websites, or TV programs that you trust for investment information? What is about these particular sources that make them trustworthy?
2. When presented with a lot of information when trying to make an investment decision, what's your approach? In other words, what types of information do you focus more on, and what do you ignore or just skim?

III. Mindset about Fraud (15 minutes)

1. What words or phrases first come to your mind when you think about the word "fraud" as it relates to investments? What makes you say that? [MODERATOR TO NOTE WORDS ON AN EASEL]
2. In your opinion, what are some of the biggest signs that a potential investment and/or the person selling it could be fraudulent? [PROBE ON FIVE SIGNS OF PERSUASION: Phantom Riches, Source Credibility, Social Consensus, Reciprocity, Scarcity]
3. What does your process look like for evaluating an investment to make sure it is sound?
4. In your opinion, who is typically committing investment fraud?
5. What types of investments do you most often associate with fraud? What makes you say that?
6. Let's say you came across an investment that you highly suspected of being fraudulent. Would you report it?
 - a. Why or why not?
 - b. If so, to whom would you report it?
 - c. If not, is there anything that would motivate you to make you more likely to report it? [PROBE: Too hard, confusing, don't know where to check, etc]

7. Are there types of people who you think are more likely to be susceptible to investment fraud? If so, how would you describe this person?
8. Do you believe that you could ever be a victim of investment fraud? Why or why not?
 - a. How would you feel if you were to find out that you had been defrauded? What makes you say that?
 - i. Would you describe yourself as a "victim"? If no, why and how would you describe your situation?
 - b. What is the first thing you would do if you found out that you were the victim of investment fraud?
 - i. Would you report it? Why or why not?
 1. If yes, to whom would you report the fraud?
 2. If no, what, if anything, would make you more likely to report the fraud?

V. Message Testing (40 minutes)

1. **[DISTRIBUTE HANDOUT X]** Next, we are going to look at a set of statements about reasons to learn more about investment fraud. Each **statement** is written on a card. I would like you to sort these cards. Place the card with the statement that does the best job of convincing you that you should **learn more about investment fraud** on top. Put the one that does the second-best job underneath that one, and so on and so forth, until you get to the card that did the worst job (which should be on the bottom).

After you have done that, you will notice that each card has a letter in the lower right-hand corner. On your handout, please write the letters of the cards in the order in which you have stacked them. Then, we'll talk about it.

Now that you have sorted your cards, **I would like you to just take a minute and skim over your top 3 cards and underline the sentence or phrase you connected with the most** in that statement.

[NOTE TO MODERATOR: To the extent possible, try to get respondents to ignore issues with grammar and/or word choice. The key is to have them focus on the messages.]

- a. [GO AROUND TABLE:] Which one did the best job? The second best job? Take a moment and explain why you selected those as your top two [PROBE: likes, main idea/takeaway; sentences or phrases they connected with most].
- b. Sometimes words can create pictures in your mind. Take a moment and take another look at the message you placed on the top. What images or pictures come to mind as you read it?
 - i. How does reading this message make you feel? [PROBE: hopeful, empowered, guilty, nagged]
 - ii. What sort of information would you expect to find at [insert URL] after reading this message?

- c. [GO AROUND TABLE:] Now, let's look at the other side of the coin. Which TWO did not speak to you at all? [IF NECESSARY:] Which statement was at the bottom of your stack? Please explain why you thought this statement did a bad job.
 - i. How does reading this statement make you feel? [PROBE: hopeful, empowered, guilty, nagged]
 - ii. What sort of information would you expect to find at [insert URL] after reading this message?
- d. Were any of the statements confusing to you? Which one(s)? What about them was confusing?

[MODERATOR TO THEN PROBE ON EACH MESSAGE]

1. **[Protect your Nest Egg]** Americans at or near retirement have worked hard to put away a nest egg, but because of this are often prime targets of fraud – which can wipe out lifelong savings in an instant. That's why learning to identify and avoid financial fraud is an important part of any responsible investor's retirement strategy. To learn more about how to protect your nest egg from fraudsters, visit [insert URL].

- a. Do you find it believable that Americans at or near retirement are often the prime targets of investment fraud? Why or why not?
- b. What about the idea that this type of fraud can wipe out lifelong savings in an instant, do you find that believable? Why or why not?
- c. What are your retirement goals? [If not already mentioned] To what extent is leaving an inheritance important to you? What makes you say that?

2. **[The Changing Face of Financial Fraud Victims]** Fraudsters follow the money, which means that the stereotype of fraud victims as isolated, frail and gullible no longer holds true. Rather, prime targets for financial fraud are actually those who look like the picture of success: professional, strong earners, well-educated, and financially knowledgeable. Do you know anyone who fits that description? To learn more about whether you, or someone you know, may be in danger of financial fraud, and how to avoid and report it, visit [insert URL].

- a. Do you find it believable that the prime targets of investment fraud are actually those who "look like the picture of success"? Why or why not?
- b. Based on the information presented in this message, do you think you or someone you know fits the profile of a potential fraud victim?

3. **[Lead by Example]** Research shows that one-in-ten adults fall victim to some form of fraud every year, so even if you have never been subjected to an investment fraudster's sales pitch, you may know someone who has. You can help protect your family and friends by teaching them to recognize how fraudsters operate and report suspicious pitches and actual scams. To start, make sure they know about the top 5 signs of a fraudulent investment. One key sign of fraud is a *guaranteed* return of 10% or more. For more signs to share with your friends and family, to help to them spot and report financial fraud, visit [insert URL].

- a. Were you aware that one key sign of fraud is a guaranteed return of 10% or more? Do you find that statement realistic? Why or why not?

- b. To what extent do your friends and family rely on you to help them make sound financial decisions? What makes you say that?

4. **[Outsmart the Fraudsters]** Financial fraudsters are constantly changing their tactics and improving their schemes, making it important for even the most seasoned investors to stay one step ahead of the latest scams to protect themselves. One recent, particularly effective scheme, is the promise of uncommonly high returns through investment in commodities—such as coins, precious metals, or oil futures—when, in reality, the value of these types of investments can go down, *significantly*. To learn more tricks of the trade, visit [insert URL].

- a. Before reading this message, to what extent did you associate investment in commodities with fraud? What makes you say that?
- b. For someone like you, what is more important to know: the signs of fraud or the latest trends or types of fraud being used?

5. **[Don't let anyone else "think" for you]** One of the most common ways in which even experienced investors fall victim to financial fraud schemes is to trust the judgment of a friend, family member, or co-worker. Others only go so far as to talk with the salesperson or fellow investors. Don't let someone else do the thinking for you, especially when it's your money and reputation on the line. Visit [insert URL] for quick and easy ways to check the background of a financial professional and to confirm that an investment is registered.

- a. Does this situation sound familiar to you? In other words, in your experience have you relied mostly on the advice of someone else rather than doing your own research when it comes to making investments? Why or why not?
- b. How realistic do you think it is that [URL] could provide you with quick and easy ways to check the background of a financial professional and/or to confirm that an investment is registered? What makes you say that?

6. **[Don't let Someone Rob you of Your Confidence]** Besides losing thousands of dollars, those who have been the victims of financial fraud lose something else, something that is much harder to earn back. They lose confidence in themselves as well as the trust of their family and loved ones. Don't let someone rob you of this hard-earned confidence. Visit [insert URL] to learn more about how to identify and avoid financial fraud.

- a. To what extent would you lose confidence in yourself and the trust of your family and loved ones if you lost money due to investment fraud? What makes you say that?
- b. What else, if anything, would you lose, besides money, as a result of investment fraud? [PROBE ON SENSE OF SELF, IDENTITY, PRIDE, etc.] How would that make you feel?

7. Was there anything that you surprised you about the messages you read today? If so, why was this information surprising to you?
8. Was there any information that you didn't see in these messages that would convince you that you should learn more about investment fraud? If so, what?

VI. Wrap Up (5 minutes)

[MODERATOR: MAKE SURE ALL MATERIALS ARE COLLECTED]

1. Now I would like to distribute one final worksheet. **[DISTRIBUTE HANDOUT X]** It has one question, "Based on our discussion tonight, what would you tell a friend or family member to convince them that they needed to learn more about investment fraud?" Take a moment and write your response. While

you do, I am going to check with my colleagues to see if we need to review any additional information.

2. We're all done! Thank you so much for your time. Your opinions and insights have been very helpful. Thanks again, and enjoy the rest of your night.