



INVESTMENT FRAUD CONVERSATION STARTER KIT



WHAT IS THE CONVERSATION STARTER KIT?

While there is no sure way to prevent every type of financial fraud, one conversation can make all the difference. When a fraudster targets someone's retirement savings, or tricks people into giving up large sums of money for "guaranteed" or "risk-free" returns, it can be particularly devastating. It can turn golden years into a daily struggle, and take a psychological and physical toll¹.

Unfortunately, many regulators believe investment fraud goes undiscovered until it's too late². For example, a 2017 survey released by the U.S. Commodity Futures Trading Commission found only half of Americans would intervene if they believed a friend or family member was the victim of financial fraud even though 93 percent of the respondents believed financial fraud could happen to anyone and 43 percent had been exposed to financial fraud.

Identifying and stopping fraud early can lessen the damage, and alert officials before additional victims are harmed. Getting involved, by raising concerns about fraud, shows friends and family you care. If you're armed with the right information, you can also give them the tools they need to better protect themselves and make more informed investment decisions.

Talking about money, and especially investment fraud, can be an uncomfortable and sometimes complex conversation. But it doesn't have to be. This Investment Fraud Conversation Starter Kit gives you what you need to spark a productive dialogue and empower friends and family with the right information to spot and avoid fraud.

HOW TO USE IT

This Investment Fraud Conversation Starter Kit includes a series of questions that will help you prepare for an investment fraud conversation. The Kit also provides ideas for breaking the ice and topics to cover, organized by type of relationship. Finally, the Kit provides a roadmap for taking the next step to researching investment fraud.

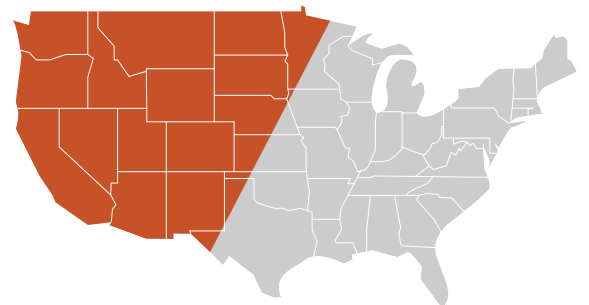
¹ [Non-Traditional Costs of Financial Fraud](#) (PDF), FINRA Investor Education Foundation, March 2015

² [Seniors at Risk From Financial Fraud](#), North American Securities Administrators Association, August 2017

ONLY

1/2

OF AMERICANS
WOULD SPEAK UP
IF THEY SUSPECT SOMEONE
THEY KNOW IS A VICTIM



QUESTIONS TO CONSIDER BEFORE THE CONVERSATION

Collect your thoughts before you start the conversation. Consider the best time and place to talk, and whether it would be helpful to invite others to join the conversation. The approach you take can make the difference in how receptive your loved one will be to the entire conversation.

Think about the basics.

Why do I believe my relative or friend is being scammed?

Who else should join me in the conversation?

How might my relative or friend respond to me intervening?

QUESTIONS TO CONSIDER BEFORE THE CONVERSATION (CONT.)

What do I want to accomplish?

What do I want to be sure to say?

When would be a good time to talk?

Date and Time:

Where would they feel comfortable talking?

Think of a quiet place where the people you've contacted can gather, but not feel intimidated. Remember, you want your loved one to remain comfortable and not feel pressured.

THINGS TO REMEMBER

Again, talking about fraud, especially investment fraud, can be a sensitive and uncomfortable conversation. As such, remember what's most important: that family and friends understand you're coming from a place of love and concern for their financial well-being.

BE PATIENT

Some people may be too embarrassed or uncomfortable. Sometimes all they need is a little time to open up to the topic.

DON'T ASSUME

Ask questions and listen to the full answer before jumping to conclusions.

DON'T JUDGE OR BLAME

Anyone can become a victim of investment fraud.

BE EMPATHETIC

Show them that you care and try to relate to their circumstance.

LISTEN

You don't have to steer the full conversation. Let it progress naturally.

OFFER TO HELP

If there is resistance to your offer, try other suggestions.

KEEP TRYING

Every attempt at the conversation is valuable.

DON'T PUT IT OFF

You don't need to have all of the answers to have the conversation. You just need to know where to start.

BLOW THE WHISTLE

If you know of a violation, or witness suspicious activity, submit a tip to the appropriate authorities.



42%
OF AMERICANS
RELY ON
FRIENDS AND FAMILY
FOR FINANCIAL ADVICE



HOW TO START THE CONVERSATION

When you're ready to have the conversation, consider these conversation starters to break the ice.

SON/DAUGHTER TO PARENT

- 🗨️ I don't want to pry into private matters, but I care about your long-term happiness and security—and that includes financial security. Can we have a conversation about the future?
- 🗨️ How do you feel about your long-term financial outlook?
- 🗨️ What are your goals for the future? Do you have a financial plan that will help you get there?
- 🗨️ How do the assets in your investment portfolio fit with your long-term financial plan?
- 🗨️ Do you trade frequently? How much could you lose on these trades?
- 🗨️ Do you use a financial professional or firm you trust?
- 🗨️ Do you ever consult financial advisors or websites?
- 🗨️ Have you checked their background?



PEER TO PEER

- 🗨️ You've seemed anxious about money lately. Is everything OK?
- 🗨️ How do you feel about your situation?
- 🗨️ I find it hard to balance short-term needs with long-term financial planning. Do you have a long-term plan?
- 🗨️ Who do you go to for financial advice?
- 🗨️ Do you ever go online to get investment recommendations?
- 🗨️ How can you tell when a financial site is legit?
- 🗨️ I read somewhere that financial fraud is on the rise. Did you know you can run a background check on financial firms and advisors?



Prepared by the U.S. Commodity Futures Trading Commission's Office of Customer Education and Outreach for the SmartCheck program.

HOW TO START THE CONVERSATION (CONT.)

GRANDPARENT/ELDER

- ☞ I often read about the financial challenges that sometimes come with retirement. I think it's important for family to discuss this stuff. Can we have a conversation about financial matters?
- ☞ How do you feel about your financial situation?
- ☞ When you project your retirement income out for years, does it seem likely to match your needs?
- ☞ Are you more of a buy-and-hold investor or do you trade frequently?
- ☞ How do you get information about investing?
- ☞ Does your retirement community/other group ever organize financial seminars or classes?
- ☞ Do you ever get offers or invitations from people wanting to sell you financial products or advice?
- ☞ Did you know you can check their registration status and background?



RELATIVE/SPOUSE

- ☞ I understand you heard about an opportunity to make money without much risk. Can you tell me about it? How does it work?
- ☞ Seems we haven't had the time to discuss our finances lately. Can we find a few minutes to chat?
- ☞ How well do you know the person/firm/site you're investing with?
- ☞ Did you know you can check the background of your financial advisor? Have you?

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KNOW THE WARNING SIGNS OF INVESTMENT FRAUD

Investment fraud can be devastating. If you're concerned about a friend or relative, here are some possible signs that indicate they could be a victim of investment fraud:

MENTION OF HIGH REWARD WITH NO RISK

Have you heard your loved one bring up a huge money-making opportunity with zero risk? Remember: There is no such thing as a zero-risk investment. Typically, high-return investments come with a high-risk level; and low-return investments come with a low-risk level.

MENTION OF A "HOT TIP"

Sources sharing "hot tips" or "insider information" may not have an investor's best interest in mind. If a tip was truly "insider information" about a public company, it would be illegal to act on this information. Legitimate advisors rely on publicly available information.

DRASTIC CHANGES IN FINANCIAL BEHAVIORS

Odds are your loved one has some long-established habits—we all do. So, if these change suddenly for no apparent reason, pay attention. Are they making dramatic withdrawals? Moving money between accounts? If so, look deeper—your loved one could be on the hook. Talk with your loved one about this new behavior and try to identify the cause.

BEING SECRETIVE ABOUT AN INVESTMENT

Often, fraudsters will tell victims that they shouldn't talk about the investment with anyone because they don't want to let everyone in on the scheme. If this is the case, ask why your loved one was let in on this secret.

FEELING OF PRESSURE TO ACT ON AN OPPORTUNITY

Is your loved one stressing about making a financial decision? Scammers often use high-pressure sales tactics to push investors to fork over money. If your loved one is faced with a limited-time offer, or pressured to act right away, it may not be in their best interest.

THE FINANCIAL ADVISOR IS NOT REGISTERED

If your loved one doesn't know if their financial advisor is registered, run a Check to see using CFTC's [SmartCheck.gov](https://www.smartcheck.gov). Most financial professionals must be registered or licensed with a government regulator or self-regulatory organization. If they are not registered, this could be a red flag that the financial advisor is a scammer.

TALK OF FOREIGN INVESTMENTS

Beware of any discussion regarding investment deals offered from overseas. Scammers often lure in investors through rhetoric about appealing foreign investment opportunities that aren't available in the U.S. Always check the company's registration status to see if it's legit. Generally, all foreign entities that solicit trade in the U.S. are required to register with CFTC.

CFTC SMARTCHECK RESOURCE

CFTC's [SmartCheck.gov](https://www.cftc.gov/SmartCheck) gives you easy access to free tools to check the background of financial professionals and stay informed on the latest fraud schemes. It only takes minutes to check if a financial advisor is registered.

HOW TO RUN A BACKGROUND CHECK:

1. Visit [SmartCheck.gov](https://www.cftc.gov/SmartCheck)
2. Select [Check](#) page
3. Complete all three searches
4. Review the advisor's registration status
5. Contact your federal or state regulator with questions

HOW TO REPORT THE FRAUD:

- [U.S. Commodity Futures Trading Commission](#) (CFTC) – For fraud related to commodity futures contracts, options on commodity futures, leveraged precious metals, binary options, commodity pools, foreign exchange, or virtual currencies.
- [U.S. Securities and Exchange Commission](#) (SEC) – For fraud related to investments, investment accounts, and financial professionals.
- [State Securities Regulator](#) – For fraud related to investments, investment accounts, and financial professionals.
- [U.S. Federal Trade Commission](#) (FTC) – For business- or consumer-related fraud or identity theft.
- [U.S. Postal Inspection Service](#) – For mail fraud or lottery scams.
- [State Attorneys General](#) – For general fraud.
- Local Law Enforcement

ABOUT CFTC SMARTCHECKSM

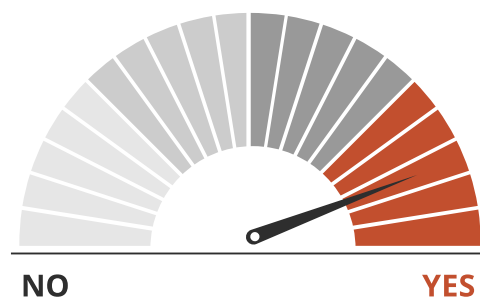
CFTC SmartCheckSM is an educational program of the U.S. Commodity Futures Trading Commission (CFTC), an independent agency whose mission is to foster open, transparent, competitive, and financially sound markets. The SmartCheck program informs investors about tools that help them research the credentials of financial professionals, uncover disciplinary histories, and stay ahead of scam artists with news and alerts. The program is central to CFTC's commitment to protecting investors through robust fraud prevention and investor education.

Have a question about CFTC SmartCheck? Email us at consumers@cftc.gov. Learn more about CFTC SmartCheckSM on Facebook at [facebook.com/CFTCSmartCheck](https://www.facebook.com/CFTCSmartCheck) or Twitter at twitter.com/CFTCSmartCheck

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93%
AGREE
FINANCIAL FRAUD
CAN HAPPEN TO ANYONE



NOTES

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