



In the News

Avoid Investment Scams

August 04, 2020 | (Time to read: 2 minutes)

As an investor, you hopefully will have a well-researched and reputable financial advisor who has guided you through the markets and helped you make decisions that match your level of risk and meet your goals. If you feel that an investment is not sound or you have reservations, always remember that you have the final say on how to invest your hard-earned money. Do not let your advisor pressure you into making an investment that appears to have dubious value to you or which you suspect is only designed to enrich your advisor.

To alleviate doubt about your investments, here are some red flags you can look for that could indicate securities or investment fraud.

Are you being pressured to make a quick decision? If you are being told to send the money immediately and you are facing high pressure without any time to perform research or ask questions, you should be concerned. Legitimate investments do not have to be made on the spot.

Are your questions about the investment being answered? If you are not getting basic information, such as how this investment fits into your overall strategy, that is a red flag. Do not be fooled by a pretty website or the promise of quick or above average returns. You should be able to get basic, third party information about an investment if it is legitimate and if you can't find any online and your financial advisor is not providing the information from third party sources, that is a red flag.

Are you being told you will receive guaranteed high yields with low risk? The standard rule in investing is the higher the risk, the higher the return. Words such as "guarantee" or "can't lose" should set off immediate alarms for you. If your advisor is pushing you towards high risk investments and guaranteeing high returns that is a definite warning sign that the investments may not be sound.

Finally, be on the look out for "affinity fraud." Does your advisor use your affiliation with a particular religious, political, or ethnic group as a means of selling you investments? Many fraudsters use those affiliations as a means of creating a false sense of security for investors.

Take time to investigate potential investments in and never believe that low risk results in high returns.

Rob Linkin is a partner in Munck Wilson Mandala's litigation practice. Rob represents clients in complex litigation, securities litigation, and class action lawsuits. He brings more than 24 years of legal experience advising clients in business disputes, financial reporting, and commercial litigation.

Related People

- Robert E. Linkin