

Investment Scams 101

How Scammers Operate – What you can do

Scam Terminology

- **Ponzi Scheme:** pays earlier investors using the capital from newer investors, no profit earned, collapses in the end.
- **Pyramid scheme:** participants earn profits primarily by recruiting new members, no legitimate products or services.
- **Boiler Room Scheme:** high-pressure sales, unscrupulous brokers cold-call potential investors, promoting speculative, non-existent, or fraudulent investments, often involving "pump and dump" schemes.
- **Pig Butchering:** fraudsters build a relationship with the victim over time to gain trust, then lure them into investing in fake or manipulated investment platforms.
- **Pump and Dump:** the price of an asset is artificially pumped up through false or misleading statements, allowing fraudsters to dump their holdings at a profit before the price drops, leaving other investors with losses.
- **Rug Pull:** In the crypto space, developers of a project suddenly withdraw all funds from liquidity pools or project wallets, abandoning the project and leaving investors with worthless tokens.

Red Flags

- Promises of guaranteed high returns
- Little to no risk,
- Pressure to act quickly,
- Requests for personal information or payment through unconventional means.
- Charm and psychological tricks
- Pitch sounds like a rare opportunity,
- Full of buzzwords and jargon
- Illusion of legitimacy.
- Creates a false sense of security

What to do

- Cultivate a skeptical mindset
- Due diligence
- Use a reputable professional financial advisor
- Don't be rushed
- Verify all claims
- Too good to be true = not true!

Report Investment Scams

To the [Federal Trade Commission \(FTC\)](https://www.ftc.gov/)
or the FBI's [Internet Crime Complaint Center \(IC3\)](https://www.ic3.gov/)