



Managing Your Money

You Don't Have To Fall For Affinity Fraud

(NAPSA)—For many people, peer pressure and trusting the judgment of others can be significant factors when making investment choices. However, using this kind of decision making to select investments can be a big mistake—even dangerous.

That's the word from experts such as Gerri Walsh, president of the FINRA Investor Education Foundation.

According to Walsh, this type of behavior—relying on peer pressure when investing—is called “social consensus,” and has been used by many con men to commit affinity fraud.

Said Walsh, “A fraudster will find a tight-knit group of like-minded people who share similar beliefs or interests—like a social group or a church. Then he creates a domino effect, luring investors one by one through their own recommendations within their group. Fraudsters know that potential investors are more likely to follow suit when they see everyone else onboard.”

Tips on Fighting Fraud

It can take more than faith to protect your life savings from affinity fraud. To help, Walsh offers the following tips:

- Learn to spot red flags. Beware if emphasis is placed on the popularity of the investment rather than on critical specifics—such as why it's the right fit for your financial objectives, how it makes money and how it can lose money.

- Ask questions. Is the investment registered with your state securities regulator or the U.S. Securities and Exchange Commission (SEC)? Is the seller registered with FINRA, the SEC or your state?



In affinity fraud, a con man will find a group of like-minded people and lure investors through the recommendations of other group members.

- Check the answers before investing. Don't just take the seller's word for it. Check the information you receive with the proper authorities.

Some Congregations at Risk

Walsh offered the example of the Church of Jesus Christ of Latter-Day Saints (LDS) as a close-knit and trustworthy community that has often been the target of affinity scams.

She shared the experience of Jim and Diane Smart, two very active members of their LDS church in Utah, who lost more than \$200,000 to a fraudster masquerading as a churchgoing financial expert.

The con artist promised financial rewards to be used for families and couples to attend mission trips and help better themselves as church members. Like many of the con's other victims, this appealed to the Smarts' deep faith.

But experts such as Gerri Walsh suggest you exercise caution, since fraudsters readily abuse this trust and loyalty.

To learn more, visit www.SaveAndInvest.org/LearnMore.