

Personal Security Series

Vol. 9, No. 19 – March 18, 2019 - Edu4Retirement, Inc., Written by Michael E. Callahan

Pyramid Schemes

Living in a world in which we are consistently connected, sharing our information (both knowingly and unknowingly) and instant gratification for those answers, or help, we seek, has made our vulnerability volatile. This series will deal with heightening our awareness on fraudulent behaviors. The information was provided directly from the Federal Bureau of Investigation website, <https://www.fbi.gov/scams-and-safety/common-fraud-schemes>. I have copied much of the information directly from this website. It does not provide attributes to any specific author(s).

The FBI indicates that seniors are especially vulnerable to these schemes. Seniors tend to have more money, making them better targets. Most seniors are trusting and polite. They are less likely to report a fraud because they are embarrassed they were scammed, do not realize they were scammed until well after or just don't know how to go about reporting a scam. Seniors also are more susceptible to promises that can make their retirement years more "Golden" and are easy victims to those false promises.

I must say it is depressing to see and hear about all the scams that exist out there. Seniors are not the only prey out there. These con artists come up with ingenious ways to get your guard down and cause you to react without thinking.

As in Ponzi schemes, the money collected from newer victims of pyramid schemes is paid to earlier victims to provide a veneer of legitimacy. In pyramid schemes, however, the victims themselves are induced to recruit further victims through the payment of recruitment commissions.

More specifically, pyramid schemes—also referred to as "franchise fraud" or "chain referral schemes"—are marketing and investment frauds in which an individual is offered a distributorship or franchise to market a particular product. The real profit is earned, not by the sale of the product, but by the sale of new distributorships.

Emphasis on selling franchises rather than the product eventually leads to a point where the supply of potential investors is exhausted and the pyramid collapses. At the heart of each pyramid scheme is typically a representation that new participants can recoup their original investments by inducing two or more prospects to make the same investment. Promoters fail to tell prospective participants that this is mathematically impossible for everyone to do, since some participants drop out, while others recoup their original investments and then drop out.

Tips for Avoiding Pyramid Schemes:

- Be wary of "opportunities" to invest your money in franchises or investments that require you to bring in subsequent investors to increase your profit or recoup your initial investment.
- Independently verify the legitimacy of any franchise or investment before you invest.

The real message here is to stay on our guard. I felt as I prepared for this series that it is only a matter of time before I become susceptible to any of these. There are many innovative crooks out there and some may exist in our own families. I don't mean these newsletters to be scary, but it's current life in the USA. Unfortunately, with the internet and little tracing, it's hard to get and convict the scoundrels. We hear too often of those that have been affected by fraudulent dealings and hope that writing and distributing information on it may help you

become more aware of these scams so that if you are ever in this type of situation, a red flag will come up and cause to KEEP YOUR GUARD UP!

Our comprehensive program at Edu4Retirement, Inc. is designed to teach people about retirement and the various issues that confront each person as they make their solo journey into retirement. To obtain copies of other series, visit our website at <http://www.edu4retirement.com/p/newsletters>.

We are forever learning as we go through this process, since family dynamics, personal desires and amounts involved can be infinitely different. However, the patterns we see in personal behavior and decisions of our clients make our experience very helpful to most.

Michael Callahan and Steve Tillona are available for any questions that may arise as you make this journey. You may contact us at:

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