



## THE WHITE PAPER

Your Guide to Life Planning

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### Hucksters and Hype: Signs of a Stock Scam

You've probably received them -- e-mail or text messages touting a "hot" stock and directing you to a website for more information.<sup>1</sup> Be cautious. You might be the target of a con in a "pump and dump" scheme. By creating demand for the stock of a small, thinly traded company, hucksters pump up the price, sell their shares, and leave investors holding worthless stock.

How can you avoid being taken in by investment scams? These tips can help.

- Consider the "why." Why would a complete stranger give you a tip about a lucrative investment opportunity? The answer: The opportunity probably doesn't exist.
- Consider the "who." Be skeptical when a flurry of promotions and press releases make exaggerated claims about a company's revenue, profits, and future stock prices, particularly if there's no mention of the investment's risk.
- Research the company. Search the Internet for information on the company, its corporate officials, and major stakeholders. Changes to the company's name or business focus, indictments or convictions of officers, or investigative articles should make you wary.
- Read the SEC filing. The SEC's EDGAR database may have helpful information about the company. Keep in mind, though, that filing with the SEC doesn't make the company a good investment or ensure that financial information has been independently reviewed.
- Find out where it trades. Stocks quoted in the over-the-counter (OTC) market instead of on a major exchange may trade infrequently and be extremely volatile. And companies typically don't have to meet any minimum standards for their securities to be quoted in the OTC market.

Talk to your financial professional. Your advisor can help you determine if the investment represents a legitimate opportunity.

<sup>1</sup>*Investing in stocks involves risks, including loss of principal.*

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