

## **How to Spot an Investment Scam**

Investment scams are on the rise with fraudsters using increasingly sophisticated techniques to swindle people out of their money, persuading them that they can make a profit after handing over a significant amount of cash.

Social media has made it easier than ever for strangers to get in contact with you and try to persuade you to part with your savings. From Ponzi schemes to boiler room scams, there are many different ways that scammers try to trick you.

What's more, anyone can be a victim of an investment scam—not just the financially inexperienced. And so, it's more important than ever that people are aware of the red flags that can help them identify a scam.

From checking with Tranquilitas to staying alert to high-pressure sales tactics, here are the best ways to spot investment scams so you can stay vigilant, distinguish between a legitimate and real investment company, and protect yourself from fraudsters.

### **Ignore unsolicited contact**

Whether you're contacted over the phone, by a door-to-door salesperson, or on social media, if it's out of the blue, you should immediately be on your guard—even if they say something like “we spoke last October.” A legitimate financial firm will never contact you before you've reached out to them first.

### **Don't be persuaded by a website**

These days scammers often have very convincing and professional-looking websites and other marketing materials to try and persuade you that they are legitimate. The company may even offer you free research reports or 'secret' stock tips. The images and text may look and sound like a credible financial company and there may even be fake testimonials from other investors. Or the website may be a clone of a well-known and established financial company. Don't let this fool you. A good website is not proof of legitimacy.



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**The rewards are too good to be true**

Investment scammers typically promise guaranteed returns that are seductively high. Realistic returns for high-risk investments range from 4% to 8%. Anything above 6% should immediately alert you to the possibility of the scheme being fake, especially if they also tell you that it's 'low risk'. High returns always entail greater risk. These days scammers might offer returns that are a bit more modest. But if they continue to assert that it's 'low risk', be suspicious. Firms must always explain risks to an investor so if they are reluctant to do so, it's a warning sign.

**Piling on the pressure**

Fraudsters will use classic sales techniques to persuade you to sign up. These tactics will vary from time pressure—such as telling you that the offer is only available for a short period of time or that it's a 'once-in-a-lifetime' opportunity—to claims that you're receiving 'special treatment', that the offer is only available to 'selected investors' and you shouldn't tell anyone else about it. On the other hand, they may tell you that lots of people have already invested. They may even claim that certain celebrities or your friends and family have invested.

**Giving away freebies**

Free financial advice is always a red flag. No authorised financial adviser will give you advice for free. Similarly, things like free merchandise or tickets to a seminar are all used to try and persuade you. Timeshare scams, in particular, often involve free gifts, such as expensive dinners, that guilt-trip people into investing.

**No call back option**

Fraudulent companies won't want to share their contact details with you as this could alert you to the fact that they're illegitimate. Therefore, if you offer to call them back and they refuse, it's a clear sign that they're a scam. If they do give you contact details, we will be happy to run a free check, to see if the information is correct. You can also use Google Maps Street View to ensure that it's not just a PO Box.



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**Look for reviews online**

Check websites such as [Trust Pilot](#) to see if anyone else has had negative experiences with the company. However, be aware that positive reviews could also be fake reviews.

Have any of the reviewers written more than one review? Do they sound credible and realistic? You can also search the company name plus 'scam' to see if there have been any stories about the firm.

**Ask about the payment method**

Fraudsters will often get you to pay via a cryptocurrency or digital e-wallet because it can't be tracked as easily.

**Get independent financial advice**

If you want to know more about the investment opportunity, get advice from an independent financial advisor authorised or please do contact us so that we can run a free audit or check for you. Definitely don't use the advisor suggested by the company that's contacted you.

