Purpose of this Presentation

- To introduce your State Financial Services Regulatory Agency – The California Department of Corporations (who we are, what we do, how we can help);

- To make you aware of some of the elements of securities products and violations of the state’s financial laws;

- Provide you with information on our programs, partnerships, educational materials, and resources available to you;

- Learn about red flag signs to prevent becoming a victim of investment fraud schemes as well as common scams.
About the Department of Corporations (DOC)

- Established in 1913

- We regulate and enforce almost every financing or investment transaction in California

- We administer two educational Programs
  - Seniors Against Investment Fraud (SAIF)
  - Troops Against Predatory Scams (TAPS)
Our Mission

- Ensure an efficient and accessible financial services marketplace in California
- Educate the public about the risks and rewards of investing
- Enforce California’s financial services laws to protect the public from fraud
What are Securities?

- Securities (also called investments) are documents/contracts that establish an investment that is expected to produce profit with no participation by the buyer other than money.

- Products commonly referred to as securities:
  - Stocks, Bonds, Notes, Options, Debentures, Convertible Certificates

- Products not commonly referred to as securities, but still subject to the laws governing securities:
  - Interests in mineral / oil rights
  - Investment Contracts (Viatical Settlement)
  - Promissory Notes
The Role of Your State Securities Regulator

- **Licensing** investment professionals
- **Registering** certain securities offered to the states’ investors.
- **Investigating** investor complaints and potential cases of investment fraud
- **Enforcing** state securities laws
- **Examining** brokerage and investment adviser firms to ensure compliance with securities laws and maintenance of accurate records of client accounts.
- **Reviewing** certain offerings that are not exempt from state law.

**Educating** consumers and providing the tools and knowledge they need to make informed financial decisions.
Common Investment and Other Common Scams

- Affinity Fraud
- Bait & Switch
- Charity Scams
- Churning
- Coins & Precious Metals
- Credit/Debit Scams
- Free Seminars/Living Trusts
- Home Repair
- Imposter/Distraction
- Internet Scams

- Loan Modifications
- Lottery Letters
- Medicare Fraud
- Oil & Gas Schemes
- Ponzi Schemes
- Promissory Notes
- Reverse Mortgages
- Telephone Scams
- Viatical & Life Settlement
Annuities

- An Annuity is a contract between an individual (annuitant) and an insurance company. The annuitant agrees to pay a single payment or a series of payments, and the insurance company agrees to pay the annuitant an income, starting immediately or at a later date, for a specified time period.

- Under the current tax law, money put into an annuity grows on tax-deferred basis until the annuitant begins receiving his/hers accumulated fund as an income. That means that one hundred percent of your earnings are reinvested in an annuity and allowed to compound --or grow-- without having to pay taxes on earnings.

NOTE: There’s a variety of annuities being offered...

MAKE IT WORK FOR YOU – NOT THEM!

Information from: www.annuitiesinsurance.com
In an effort to make themselves stand out from other salespersons, some agents are making increasing use of fancy titles intended to create a false impression that they have special knowledge, education, and/or expertise in the field of senior services and products. Typically the titles are presented as a series of initials after the name of the sale agent which stands for some kind of title that will generally have the word “senior” or “elder” in it, often with the word “certified” or “registered” which is intended to give the impression that the designation has been awarded to the agent by some kind of reputable authority or even a governmental agency.
Mortgage Schemes

- Loan Modifications or Reverse Mortgages
- It is illegal in CA to charge advance fees unless company obtains Advanced Fee Agreement
- Make sure you understand agreement - associated costs
- Verify the individual’s license status with the California Dept. of Real Estate or California State Bar.

Information by: www.dre.ca.gov
Affinity Fraud

- Consists of mutual trust, friendship, and sympathy among people who share similar religious beliefs, ethnic background, language, culture, age, profession, or other characteristics.

- Occurs in churches, organizations, and clubs
Ponzi / Pyramid Schemes

- Telemarketer (via phone) offers an opportunity that you can’t pass up.
- Offers high investment returns
- Once you buy in you’re paid, but once the chain stops moving all payments stop.
- Example: Bernie Madoff Scandal!
Questions?
Seniors Against Investment Fraud (SAIF)
Purpose of SAIF

Educate and empower Californians over the age of 50 on how to detect, stop, and avoid telemarketing and investment fraud, common scams, and unscrupulous sales practices specifically targeting seniors.
SAIF Provides

Helpful information associated with the solicitation or transaction by:

- Verifying whether the salesperson and/or entity you’re considering doing business with is properly and actively licensed;
- Whether there have been any disciplinary actions taken on the salesperson and/or entity;
- Whether the product is within the Department’s jurisdiction
- Conduct educational presentations and distribute material at resource fairs
- Procedures on filing a complaint
Why the Elderly?

- The “Gentle Generation”
  - Substantial amount of disposable income
  - Trusting / Trustworthy
  - Community Involvement

Current Circumstances

- Alone/ Lonely
- Physical Limitations
- Older homes in need of repairs
- Fixed income
How Predators can get your information

- Obituaries
- Demographics
- Internet
- Trashcans
- ATM usage (debit cards)
- Mailboxes
- Shopping Centers
- Sweepstakes entries
- Mailing lists
IT'S ILLEGAL for legitimate sweepstakes to require money up front before paying out winnings

- Mail and/or call
- International Sweepstakes
  - It's illegal for persons within the United States to play International Lotteries
- Generic Names
- Western Union
Special Delivery

- Sweepstakes prize?
- Large & insured
- Small Delivery Fee
- Need Credit Card Number

Always get verification
Credit/Debit Card / ATM / Skimmers

Via phone call or mail

- Free introductory offer to Check the Security of YOUR credit cards.
- A device that has been showing up at outside ATM machines (normally gas stations) now inside stores (grocery, department stores)
- The device has a mechanism that stores your pin number when using Debit feature for purchases – therefore allowing access to your account

PROTECT YOUR PIN

VERIFY it’s your credit card
Phishing

- Emails and/or fraudulent web sites. Attempt to solicit personal information. It may be impossible to ‘delete’ the page without providing information.
- Make sure you are familiar with the website and it’s secure (httpS: ) or email you open.
- Don’t open unfamiliar emails.
The Grandparent Scam

You receive a phone call or email, from someone claiming to be your grandchild, asking you to wire money in order to help them.

- Accident, arrested, traveling in foreign country
- Play on your emotions

CALL TO VERIFY!
Charitable Donations

Con Artists take advantage of the generosity of others, especially in a publicized disaster

- Be wary of solicitations from charities you are unfamiliar of
- Police, Fireman, Sheriff Departments DON’T call and solicit (hang up and call your local enforcement to verify)
- Verify charity with Office Attorney General or BBB
Worst Scam of 2012

Newtown Charity Scams

- Within hours of the horrific shooting at Sandy Hook Elementary School in Newtown, Connecticut, social media pages dedicated to the child victims began cropping up...and some of them were scams asking for money. The FBI has already arrested one woman for posing as the aunt of one of the children killed, and state and federal agencies are investigating other possible fraudulent and misleading solicitations.
Mail Theft/ Fraud

- Incoming Mail
  - Checks/ Credit Cards, Applications, Bills—

- Outgoing Mail
  - Checks/ Credit Cards, Applications, (SSN)

- Garbage Can Mail
  - Bank Account/ Credit Card Account Numbers
  - All your personal information

USE A SHREDDER
Distraction / Imposter Burglary

- Multiple (unseen) Suspects
- City / County Worker
  - Need YOUR helpful assistance
- Door to Door Salesperson
  - May use children to distract or steal
Home Repair

- Chimney Cleaning, Asphalt work, Roof repair, Tree trimming, Pesticides spraying
- Target Elderly
- Unsolicited
- Price “too good to be true”
- Additional Repairs
- Misunderstanding
Don’t Become A Number

- 1 in 5 Americans over 65 will become a victim of financial fraud
- 7.5 Million seniors have already been victimized by financial fraud
- $2.5 Billion is swindled from seniors annually

*North American Securities Administrators Association (NASAA)*
Troops Against Predatory Lending (TAPS)
Purpose of TAP$:

To educate servicemembers, veterans, and their families about investor protection, privacy protection, investment and financial fraud, predatory sales practices and scams directed at military members.
Why the Military?

- Servicemembers receive steady paychecks and deployment bonuses.

- Frequently relocate – leaving spouses and family members to tend to home finances.

- Targeted for inappropriate financial products and investments.
Common Types of Fraud

- Affinity Fraud
- Ponzi or Pyramid Schemes
- Life Insurance Products
- High Pressure Sales Tactics
- Sweepstakes and Lottery Fraud
Other “Anticipatory” Loans

- Overdraft Protection
- Car Title Loans
- Tax Refund Loans
Use Financial Common Sense

- Understand Credit and Debt: know about interest rates & finance charges
  - “Good” debt vs. “Bad” debt
  - “Needs” vs. “Wants”
SAIF has formed partnerships with state and local agencies, senior advocacy groups and consumer groups, who work together to educate and inform Californians on fraud prevention.

SAIF collaborates with other agencies to give presentations, speak on panels, and distribute educational materials that providing pertinent information to help recognize red flag signs.
How Can I Protect Myself?

- **BEFORE you Invest: Use the SAIF 4 C Model:**
  1. CALL SAIF First! *(866) 275-2677 (ASK-CORP)*
  2. Consider all your options
  3. Compare the product to others
  4. Consult with someone you trust

ALSO you should:
- **TRUST YOUR INSTINCTS** – if it seems to good to be true, it probably is.
- **NEVER** give out personal information over the phone (unless you initiated the call)
- **NEVER** allow unsolicited door to door sales or repair persons inside your home without independent verification, and/or an appointment set up by you.
- **NEVER** allow someone (broker, advisor, etc.) to ‘fill out the rest’ of your information and return it to you
- **TALK** to someone (family, friend, neighbor) if you’re not understanding the product of interest
- Call the DOC at 1-8566-275-2677 to verify information of a licensee/person/entity PRIOR to doing business
- **ASK** questions
Education is Key

- A knowledgeable consumer is less likely to become a victim of fraud.

- Our Protect Yourself from Fraud booklet, as well as other informative brochures can help you avoid becoming a victim of investment fraud:
  - Protect Yourself From Fraud (English, Spanish, Chinese, Tagalog)
  - What You Need to Know About Payday Loans (English, Spanish)
  - Department of Corporations (English, Spanish)
  - Always Read the Small Print (English only)
  - Financial Tips for Women (English only)
  - Reducing Your Debt (English Only)
  - What You Need to Know about Identity Theft (English only)
Before You Make Financial Decisions:

- Many state agencies license services
- Verify legitimacy of person/company
- Call us with questions
- File Complaints
Filing a Complaint Form

- If you have questions/concerns about whether you are involved in a securities fraud, contact the Department of Corporations,

- If you want to order some of our free educational brochures or interested in a presentation

Contact the Department of Corporations
1-866-ASK-Corp
1-866-275-2677
www.corp.ca.gov
Questions?