

# Investment Fraud Can Hit Close To Home

(NAPSA)—When it comes to investing, experts caution against blindly trusting social contacts.

They also say it can be surprising to find out who is really a wolf in sheep's clothing. The good news is there are steps you can take to protect yourself.

According to Gerri Walsh, president of the FINRA Investor Education Foundation, fraudsters will often invest their time to develop relationships and credibility in a particular community. Typically, a scam artist may pose as a financial expert and a friend.

When making any kind of financial investment, even amongst friends, Walsh suggests you always exercise caution. Here are some simple steps to avoid becoming a victim of investment fraud.

- Learn to spot the “source credibility” fraud tactic. Is the seller trying to build credibility by claiming he is from a reputable firm or is well established in the neighborhood? Beware if emphasis is placed on the relationship you have with the seller rather than on critical specifics—such as why the investment is the right fit for your financial objectives, how the investment makes money and how it can lose money.

- Learn to spot the “social consensus” fraud tactic. The seller may try to convince you that everyone else is doing it. Even if that's true, the popularity of the investment should not be your deciding factor.

- Ask and check before investing. Ask the seller about his license to sell securities and check with authorities to verify the information—even if you know him.

## A Cautionary Tale

Unfortunately, it is possible that someone you trust and socialize with could defraud you. That's



**Experts warn that it is always wise to be cautious when investing, even when it involves social contacts.**

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what happened to Ruth and Len Mitchell, who were victims of an \$11 million Ponzi scheme run by their neighbor and friend, Barry Korcan.

Korcan kept the books for Len's business, was in Ruth's skating club and did the Mitchells' personal taxes. So when Korcan came to them with an opportunity to invest \$130,000 in real estate bonds, the Mitchells did not think to question the legitimacy of the investment.

The Mitchells were not the only ones to fall into Korcan's investment fraud scheme. Over time, many of the Mitchells' friends and business associates also started investing with Korcan, believing in the Mitchells' trust that Korcan was a legitimate seller.

The IRS finally uncovered Korcan's Ponzi scheme and convicted him for mail fraud and tax evasion. The bad news is that the Mitchells and their friends had already lost their money.

For more tips on protecting yourself from fraud, visit the FINRA Foundation's website at [www.SaveAndInvest.org/LearnMore](http://www.SaveAndInvest.org/LearnMore).