



Managing Your Money

Peer Pressure Can Lead To Bad Investments

(NAPSA)—While an investment tip from someone you know can be tempting, you should always research an investment yourself.

That's the word from experts who say there's nothing wrong with getting investment ideas from friends and acquaintances, but believe you owe it to yourself to investigate any opportunity that comes your way. Before handing over any money, you need to check out the investment and the person selling it.

This is a lesson that cost Carolyn and Ray Thompson of Brewer, Maine, \$30,000.

Friends told them about a new and exciting green energy opportunity involving windmills small enough to install on rooftops. Their investment would get them exclusive territories where the Thompsons could lease windmills to homeowners and businesses.

Too Good To Be True

It sounded like a good idea to the Thompsons, so they invested \$30,000. They expected to receive shares in the windmill company, three territories where they could launch their business and three free windmills of their own.

But after traveling to Las Vegas for the initial shareholder meeting in 2008, the Thompsons realized they had been scammed—there were no innovative new windmills. The Thompsons and about 200 other investors were shown a full-size windmill, still being set up in the middle of the Nevada desert.

“When I saw that windmill,” said Carolyn Thompson, “I couldn't stop the tears from rolling down my cheeks. It was nothing like what they were telling us.”



There's nothing wrong with getting investment ideas from friends. However, you owe it to yourself to investigate the opportunity that has come your way before you invest.

The Basis Of Affinity Fraud

Cons regularly rely on word of mouth to bring in new victims. Or they make their pitches to groups, knowing that subtle social pressure brings in more money.

Psychologists call it “social consensus,” and it's the foundation of affinity fraud. The thinking goes that if everyone is doing it, it must be okay. But the problem is that no one looks behind the curtain to question the person working the levers.

In the Thompsons' case, they heard about the investment through friends at church, and didn't look into the investment or seller themselves. If they had, they would have found that he had a long history of alleged scams—and they might have been able to avoid this loss.

“What we really feel bad about,” said Ray Thompson, “is that we talked to other people and got them into it, too. They lost \$10,000 each. My losses are my fault, but when I bring other people into it, I'm really sorry about that.”

To learn more, visit the FINRA Foundation's website at www.SaveAndInvest.org/LearnMore.