

## **Protect Yourself From Fraud**

You may have heard the saying, "You can't cheat an honest man." Like many sayings, that one is untrue. Every day honest people are the victims of fraud; honesty alone doesn't protect them. Some of the cleverest minds in the world are devising and carrying out schemes to separate people from their money. More than a hundred years ago, one writer noted: "There are some frauds so well conducted, that it would be stupidity *not* to be deceived by them." Deception has a long history, dating back to the garden of Eden. Old schemes have many variations, and new schemes are being concocted all the time.

### **Safeguard Personal Information**

If a person steals your checkbook or credit cards, he can buy things with them. If he steals your bank account information, he may be able to order and write checks in your name. If he obtains enough personal information, he may assume your identity. Once your identity has been stolen, a criminal can withdraw money from your bank accounts, charge things to your credit card accounts, and obtain loans in your name. You may even find yourself arrested for a crime you did not commit!

To protect yourself from this type of fraud, be careful with all personal documents, including your bank statements and checkbooks, driver's license, and Social Security card or national identity card. Refuse to provide personal or financial information to others unless there is a legitimate reason why they should have it.

### **Use Common Sense**

At the heart of many frauds is the promise of unrealistically high returns from investments. A common get-rich-quick scam is the pyramid scheme. Though there are many variations of this scam, the usual design is for investors to recruit other investors, for which the recruiters receive a commission. Chain letters work in the same way by asking you to send money to people at the top of a list. The assurance is that you will receive thousands of dollars when your name reaches the top.

Pyramid schemes always collapse because it is impossible to keep on recruiting new members. Consider the math. If five people launch a pyramid and each one recruits five more, the number of new recruits becomes 25. If they, in turn, each recruit 5, that would mean 125 more. When recruitment reaches the ninth level, there will be close to two million people who would have to recruit more than nine million others! Promoters of pyramid schemes well know that there is a saturation point. When they suspect that point is near, they take the money and run. You will probably lose your money, and those whom you have recruited will now be trying to recover their lost money from you. Remember, for you to make money in a pyramid scheme, someone else has to lose money.

### **Easy Money**

Is someone offering you easy money or huge profits in return for an investment? A cautionary warning is this: If an offer appears too good to be true, it usually is. Don't be quick to believe advertising claims and testimonials, thinking, "This is different." Keep in mind that people are not in business to give away money or to share secrets to

make you rich. If someone claims to have special knowledge that will make you a fortune, ask yourself: 'Why doesn't he use it to make himself wealthy? Why is he wasting time trying to sell it to me?'

What if you are told that you have won a contest or a prize? Don't get excited—it may be a scam, one that has victimized many. For example, a woman in England received a letter from Canada telling her that she had won a prize but that she needed to send a \$25 processing fee. After sending the money, she received a phone call from Canada telling her that she had won third prize in a drawing worth \$245,000 but that she would have to pay a percentage of that amount as a further processing fee. She sent \$2,450 and received nothing in return. If you have to pay for a "free gift" or a prize, it's a scam. Ask yourself, 'How likely is it that I have won a prize in a contest that I did not enter?'

### **Do Business Only With Reputable People**

Do you believe that you can sense dishonesty in people? Be careful! Swindlers are called con, or confidence, artists because they know how to win the confidence of others. They are skilled at making their victims trust them. Sellers, both honest and dishonest, know that before you can sell a product, you have to sell yourself. Of course, this does not mean that you should mistrust everyone, but a healthy degree of suspicion is important in defending yourself from fraud. Rather than try to discern a person's integrity by trusting your instincts, watch for two telltale signs that characterize many frauds: First, does an offer appear too good to be true, and second, is the seller trying to rush you into making a decision?

Too-good-to-be-true offers abound on the Internet. Though the Internet offers much of value, it also enables criminals to defraud victims quickly and anonymously. Do you have an E-mail account? If so, you may find yourself on the receiving end of spam—unsolicited commercial E-mail.

### **How to Protect Yourself**

To protect yourself from both fraud and misunderstandings, you should get the details of any business project in writing before making any major investment. Any contract that you sign should document all the terms of the investment and the promises made. Recognize, too, that no matter how sound an investment may appear, no one can guarantee that things will go as planned.

Deal only with reputable businesses and people. There are many legitimate companies with whom you can safely do business over the phone or on the Internet. If possible, check out the salesperson, the company, and the investment through some independent agency.

### **Advice for Victims of Fraud**

Fraud victims typically feel overwhelmed by shame, guilt, embarrassment, and self-directed anger. Don't blame yourself. You are the victim; the blame rests on the person who conned you. If you have made a mistake, admit that to yourself, and then move on with your life. Do not conclude that you are stupid. Remember that swindlers successfully defraud highly intelligent people—heads of State, bank managers, executives, finance managers, attorneys, and others.