



Consumer Tips from Your Community Banker (October 2012)

Where to Invest Your Retirement Dollars—and Investments to Avoid

Ready for good news? If you are in a low-paying job or receiving unemployment compensation, you may not believe it now, but good financial news could be in your near future. The time to think about how to invest a surprise inheritance, salary increase, or job promotion dollars is now, before the flush of extra cash leads to impulsive choices. (Yes, you always wanted to go on that cruise, but this is also an opportunity to invest in yourself and your own retirement.)

Uncle Jim always told you to invest in utility stocks, but that sounds so boring. Aunt Eloise lectured about setting up an IRA, but you already have one of those. Surely there are more exciting investments that offer better returns?

Before you click “yes” on a new business crowdfunding site or email offer about oil and gas drilling, take a moment to review the **2012 top ten investor threats** identified by the Wisconsin Department of Financial Institutions:

1. *Crowdfunding and Internet offers*—the online selling of stocks to multiple investors—can represent a questionable investment in a high-risk start-up company.
2. *Use of self-directed IRAs to mask fraud*—Custodians or “trusts” of self-directed IRAs may invest in legitimate stocks or bonds, but may also hide Ponzi schemes or other fraudulent investments.
3. *EB-5 investment-for-visa schemes*—this option relates to an immigration program that grants a U.S. visa to a foreign national who invests at least \$500,000 into a new business. Thoroughly investigate the business plan and the background of all promoters.
4. *Oil and gas drilling programs*—the promise of lucrative returns has fooled many investors. Half of all states have current investigations into fraudulent oil and gas drilling investment programs.
5. *Promissory notes*—while promoted as safe and secure investments, promissory notes frequently turn into big losses for buyers.
6. *Ponzi schemes*—a good salesperson (think Bernie Madoff) can convince even experienced investors that big returns are possible—until suddenly they aren’t and the money has all disappeared.
7. *Real estate investment schemes*—now that the housing market is turning around, scam artists are offering more questionable opportunities to invest in house flipping, renovating, or other schemes.
8. *Reg D/Rule 506 private offerings*—while stocks and other offerings can be legally sold without registration, the rule should be “buyer beware” for their high level of risk.
9. *Affinity fraud*—although many legitimate organizations market financial products based on a religious, professional, or other common bond, buyers should carefully investigate these organizations before investing.
10. *Gold and precious metals*—especially if approached via email, telephone, or mailed promotion, the buyer should be sure that the promoter actually holds the commodity and that the organization has a respectable track record.

If you have been subjected to questionable practices, contact the Department of Financial Institutions at 608-266-1064. More information about each of the top investor threats is available on DFI’s website at www.wdfi.org.