



Article Side

Dynamic Wealth Management Headlines: an ounce of fraud prevention is worth a pound of cure by [Dynamic Wealth Management](#)

Article published on April 17th 2012 | [Business](#)

Financial fraud is alive and well, and claiming more victims than ever before. Scams are getting more sophisticated and harder to identify, and even seasoned investors are falling for them. Fortunately, the strategies of scam artists have been examined in detail, and excellent tools and resources have been developed that could prevent the vast majority of scams – if investors would take the time to read up and protect themselves. The following sources and suggestions should help.

An excellent source for information regarding financial fraud is FINRA, the Financial Industry Regulatory Agency. FINRA is the largest independent regulator for all securities firms doing business in the United States. One of their publications, “Avoiding Investment Scams,” provides excellent advice on how to protect yourself from financial fraud. FINRA suggests the following strategies:

Consider the source. Never rely on unsolicited information. There is no reason for you to believe that information you receive in this way regarding revenue, profits, future stock prices and so forth is reliable.

Always ask, “Why me?” Does it make sense that a stranger selected you for the investment opportunity of a lifetime?

Exercise healthy skepticism. Scammers can be very skillful in presenting slick presentations in a video or on a website. Be especially cautious about a product or service that is still in development. You have no idea when, or if, such a product or service will be fully developed.

Find out where the security trades. In order to be listed on the New York Stock Exchange, the NASDAQ stock market or any other regulated national securities exchange, a security has to meet high regulatory standards. Thus, it’s no surprise that many swindles center on companies listed in the over-the-counter (OTC) market. Such companies often may not have an obligation to file annual or quarterly reports. Securities that trade in the OTC market will be less liquid. For example, for a thinly traded stock, you may find the bid price is 50 cents and the ask price is \$1.50. In that type of market, your stock would have to triple in price just in order to break even.

Read a company’s SEC filing, if available. Most public companies file reports with the Securities and Exchange Commission (SEC). Check the SEC database to see if the company has filed. If there has been no filing, it is a danger sign. However, a filing does not automatically imply the company is a good investment.

Look beyond a company’s name: Don’t be misled by a catchy name. A stock promoter will often change a company’s name to reflect a current event or issue, which can be misleading. The SEC report will often reveal name changes.

Check out the person promoting the investment. This is very important. A legitimate investment salesperson must be licensed, and his or her firm must be registered with FINRA, the SEC or a state regulator. You can review the background of a broker or firm utilizing FINRA’s BrokerCheck (www.finra.org/brokercheck). If the salesperson indicates he is an investment advisor, check the Investment Advisor Public Disclosure website (www.adviserinfo.sec.gov).

A couple of new books go into great detail about securities scams and how to protect yourself

against them. Doug Shadel, a nationally recognized expert on financial fraud has written an excellent book under the auspices of AARP, "Outsmarting the Scam Artists" (Wiley, \$18.95). The book has been recommended by many in the field, including Gerri Walsh, the president of the FINRA Investor Education Foundation. I found the book very informative and easy to read. I especially liked chapter three, "The Stages of Fraud." Readers of this chapter will learn to recognize how the typical scammer operates, and how to avoid falling prey.

Another excellent book is "The Vigilant Investor" written by Pat Huddleston (AMACOM). The author has been an SEC enforcement branch chief and investment attorney with more than 20 years of experience dealing with fraud. He identifies many "red flags" indicating a potential scam, including investments that allow payment by credit card; investments that encourage investors to recruit friends and family; any investment you don't understand fully; and any investment where it looks like there is a conflict of interest. He also points out the conflicts of interest that many in the financial community utilize to reward themselves at your expense.

The best time to learn about these scams is before a slick salesman approaches you with one. Take some time to read and protect yourself. You won't regret it.

Article Source:

<http://www.articleside.com/business-articles/dynamic-wealth-management-headlines-an-ounce-of-fraud-prevention-is-worth-a-pound-of-cure.htm> - [Article Side](#)

[Dynamic Wealth Management](#) - About Author:

Dynamic Wealth Management
Dynamic Wealth Management Zurich
245 Park Avenue
24th and 39th Floors
New York City, New York 10167
United States
+1 212 792 4000
info@dynamicwealth-management.com
<http://dynamicwealth-management.com>

Article Keywords:

Dynamic Wealth Management, Asset and Other Financial Advisory, News Articles and Latest Economy Analysis asset management, retirement funds, hedge fun

You can find more [free articles](#) on [Article Side](#). Sign up today and share your knowledge to the community! It is completely FREE!