

INVESTMENT TRAPS LIKELY TO BURN INVESTORS THIS SUMMER



The Securities Division of the NC Department of the Secretary of State warns that con artists are using every trick under the sun to separate unsuspecting investors from their hard-earned dollars. The Securities Division cautions investors to screen themselves from hot energy-related tips, speculative real estate promotions, unsolicited invitations from new online "friends," and complex, opaque investment products that fail to offer clear disclosures of their risks and costs.

The Securities Division warns that criminals watch and read the news and tend to follow the headlines in an effort to lend their schemes a cloak of legitimacy. The recent turmoil in the credit and real estate markets has led some investors to seek higher returns in non-traditional, speculative investments – a proven feeding ground for unscrupulous promoters and salesmen. Investors today are facing enough challenges without having to worry about being conned and swindled by get-rich schemes.

Additionally, the substantial increase in energy costs has made scams related to energy more prevalent. State regulators across the country are seeing not only shady oil and gas investments, but also scams that promise the development of new technologies to increase the efficiency of energy consumption or to extract energy from sources previously thought too expensive to develop.

~~As the housing market continues to reel from the subprime lending crisis, investors are~~ warned that scams promising large returns from real estate-related investments also are increasing. Some of these scams may actually be worthless real estate investments that promoters are trying to dump off to unsuspecting investors. Also, some promoters have encouraged home owners to take out reverse mortgages in order to invest in unsuitable or flat-out fraudulent investments. There have also been reports that some promoters have used reverse mortgages in order to gain access to a senior citizen's entire financial profile, providing incentive for the promoter to offer additional investment schemes to that person. Reverse mortgages may be a good option for some people in some situations; however, like most investment products, reverse mortgages are not appropriate for everyone.

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