

# BE WARY OF THESE TOP INVESTMENT SCAMS

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If an investment deal sounds too good to be true, it usually is, cautions the Iowa Insurance Division, which has released its annual list of top investor threats.

The message for investors: Be careful out there when approached with unsolicited investments, especially those involving promissory notes, oil and gas deals and real estate investment opportunities, including non-traded real estate investment trusts.

“Education and information are an investor’s best defense against investment fraud,” Iowa Insurance Commissioner Nick Gerhart said in a release. “Investors should always double-check before investing and be wary of unsolicited financial advice or investment opportunities.”

The top threats to investors were determined by surveying members of the North American Securities Administrators Association to identify the five most problematic products, practices or schemes. The following were cited most often:

- **Unregistered products/unlicensed sales:** The offer of securities by an individual without a valid securities license should be a red alert for investors. Con artists also try to bypass stringent state registration requirements to pitch unregistered investments with a promise of “limited or no risk” and high returns.
- **Promissory notes:** In an environment of low interest rates, the promise of high-interest-bearing promissory notes may be tempting to investors, especially seniors and others living on a fixed income. Short-term notes that appear to be exempt from securities registration have been the source of most – but not all – of the fraudulent activity involving promissory notes identified by regulators.
- **Oil/gas investments:** Fraudulent oil and gas deals frequently are structured with the limited partnership (or other legal entity) in one state, the operation and physical presence of the field in a second state, and the offerings made to prospective investors in states other than the initial two states. As a result, there is less chance of an investor dropping by a well site or a nonexistent company headquarters. Such a structure also makes it difficult for authorities and victims to identify and expose the fraud.
- **Real estate-related investments:** Troublesome real estate-related investments identified by securities regulators included non-traded real estate investment trusts (REITs), timeshare resales, and brokered mortgage notes. These types of products often carry higher risk.
- **Ponzi schemes:** The premise is simple: pay early investors with money raised from later investors. The only people certain to make money are the promoters who set the Ponzi in motion.