

How to avoid investment scams

By Sherwin Govender, Business Development Manager

Just when we were coming to terms with the number of cybercrimes and phishing scams being committed online, there is a new wave of investment scams doing the rounds. The unfortunate reality is that many of the unwitting investors who fall victim to them are retirees.

Sherwin, lists ways in which investors can be more vigilant in these challenging times, when shady operators in the investment industry are ready to relieve you of your hard-earned savings.

Common sense doesn't always apply in avoiding scams

Scam artists are smart; probably smarter than most. What may seem like an obvious precaution or red flag to some of us, may completely have escaped others. So, here are some tips to help you avoid being taken for an expensive, and potentially financially ruinous ride.

1. If it's not a registered financial services provider, steer clear.

Companies that offer legitimate investment solutions ought to be registered with – and regulated by – the Financial Sector Conduct Authority (FSCA). This means that the products and solutions provided by that company are monitored and the company operates within the strict requirements for customers to be treated fairly. The FSCA and the laws they have introduced were established to protect investors. If the company you are investing with is not registered with them, then you may be vulnerable to being ripped off. It's easy to check if they are registered by visiting the FSCA at website www.fsca.co.za.

2. Do your homework.

Who's guaranteeing the guarantee?

If the word "guaranteed" is used in the marketing material of an investment solution or product, it is your right to know who stands in for that guarantee. A guarantee is a formal contract taken between you and a business entity. In simple terms, it is a written promise and the value of any promise is based on who is making it. Basically, it boils down to the ability of the entity to make

good on their promises. Reputable, well-known companies are going to be safer than the unknown ones. You may also want to check with large companies that the solution is real by phoning their call centres. A company's reputation and long track record have been hard-earned. Pay attention to them.

If something sounds too good to be true, it probably isn't.

Be wary of extreme return numbers. The higher the return from an investment, the greater the risk. As a rule of thumb, compare the return offered to you to the rate you can get from a bank for a fixed deposit. If what you were offered is considerably higher, then you must ask about the risk you are taking for the additional return.

3. Be wary of too many buzzwords in the sales pitch.

Scams are designed to be enticing and usually explain high returns using popular terms and opportunities that may make sense to you. Examples are cryptocurrencies which yielded large returns some years back, marijuana farming which could possibly become legal in future and gold, which skyrocketed in price during volatile markets. This is not to say that these are not legitimate investment opportunities but don't take everything on face value that a person in a suit tells you. If you want to invest, educate yourself on these matters independently of the information provided by a salesperson.

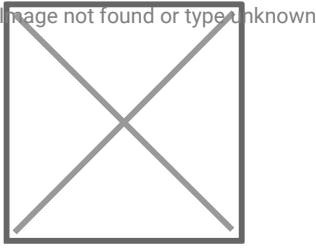
4. Consult a reputable, qualified financial adviser.

You wouldn't place your health in the hands of a person who doesn't have some sort of medical qualification, so why would you entrust your investments to a random, unknown, unqualified stranger? It's easy to do background checks on financial intermediaries, and to verify their credentials. Do so before you sign anything.

5. Silver bullets don't exist.

Scams are targeted at people who are already in financial distress and desperate. If you are having a tough time, be aware that there is rarely a perfect, fail-safe solution. All investments carry some form of risk, whether it is a bank unable to pay back your deposit, or the risk that you could lose all your capital. Be vigilant if no risks or a worst-case scenario are not disclosed. Asking informed questions can deter scammers who prefer "soft targets" – people who are unaware and trusting.

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