

## PBS Episode 122 Don't Become a Victim of Fraud!

**Patti Brennan:** Hi, everybody. Welcome to "The Patti Brennan Show." Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

Today's episode is part of the ongoing series called, #AskPattiBrennan. My goal in these podcasts are to keep them shorter and tighter and really address some of the questions that we get over and over again that you send in to our website, and maybe even some of the questions that aren't being asked.

I was thinking about today's podcast, and I want to share something with you about me that may be TMI, but I'm just going to do it anyway.

I am not a morning person. Once I'm up, I can go and go and go until two o'clock in the morning, no problem. It's just that getting up the next day, that's tough for me. As part of my ritual, I get four newspapers delivered to my home. I get the coffee, and I start going through the newspapers.

As I was doing this one day in January, a particular article caught my eye. It was one that was published in the "Wall Street Journal" on January 31st. I'm going to read you the title and read just the beginning of it, and it'll give you a feel for what I'd like to talk to you about today. The headline is "Celebrity Crypto Endorsers Face Suits."

Madonna sang the praises of non-fungible tokens otherwise known as NFT's digital Hotdogs. She wasn't singing the praises of digital hotdogs per se. In her case, she was depicting cartoon portraits of apes. Interesting. They were going for a lot of money. Tampa Bay quarterback Tom Brady appeared in commercials endorsing crypto exchange FTX, which collapsed in November. Kim Kardashian gushed about the EMAX tokens on Instagram.

My point with this is: Be careful, even with these celebrity endorsements because they are victims of all of this as well. Here they are very famous people, yes, they're being paid for these endorsements.

Let's go back to Bernie Madoff, and all of the very smart, famous people who were duped in that Ponzi scheme. Today, what I'd like to do is talk about some of the red flags that you need to be on the lookout for.

First and foremost, let's talk about Ponzi schemes. The problem is that, in the beginning, the early people are the ones that do really well, and what happens is, the Bernie Madoffs are using the new money to pay the old people off. A couple of things to look for include promises for high returns and little to no risk, or very consistent returns.

Anybody who watches this podcast and has seen some of these shows all through 2022, I'm always going to give it to you straight. It was a terrible year in stocks and in bonds.

Anybody that does otherwise, just a little red flag should go off in your brains. With unregistered investments, this is a really important aspect. FTX is a trading platform, it was not registered with the SEC. That's a big deal, so they were not under the same kind of regulations that, for example, I am. I'm a registered investment advisory firm.

The SEC can come in here at any time, and they have, do these random, unscheduled audits just to make sure we're squeaky clean. Knock on wood, we have been. A firm that is not registered is not subject to that, and they can follow their own set of rules. In FTX's situation, they certainly did.

They used consumer funds, their people's own money, took it out of those accounts, and invested it into something else. You can't do that in America, you can't do that in a firm that is registered in the United States.

By the way, most of the big firms are. There is a firewall between your account, your IRA, your 401(k), and the underlying company that may be doing the clearing, or the trading for you.

That's really important. That was a lesson that was learned in the financial crisis when AIG almost went under. AIG was an insurance company that owned a lot of these broker-dealers. A broker-dealer basically works with advisors, they do the record-keeping for the underlying funds.

Even if AIG went under, those client funds were absolutely secure. That's really important. Always make sure that whoever you're working with is registered.

Another example or another thing to look out for is somebody that is unlicensed. Towards the end of the show, I'm going to give you some websites and some resources to make sure that whoever you're working with is licensed. That also goes for insurance people, there are people who are out there who are promising incredible rewards, they're not even licensed.

Frankly, solid, wonderful insurance companies that are highly rated won't do business with these people. Make sure whoever you're working with is licensed in the area that you're looking into. Whether it's insurance, investments, property, and casualty.

Last but not least, the secret very complex strategies. Again, you don't need complicated. What you need is something that is proven that makes sense over time. Frankly, something where you get a statement, and you can check it online. I used to tell people, anything that isn't published in the newspaper, you should note it.

That's a way to verify and keep those checks and balances intact. Always think fundamentally. A couple of other things that might raise a few red flags for you, if you find that, whoever it is that you're working with, you're having some difficulty with the paperwork. I'm not so sure I'd be comfortable with that. If there's a problem with you receiving any distribution or payments, that's a real issue.

Just to pull this together, unlicensed professionals, anybody that's really aggressive, also be really careful with that. If they are saying some things to you that feel unrealistic or exaggerated. Chances are it probably is. That old maxim, if it's too good to be true, it probably is, is especially true in this area.

Anybody that's promising great wealth or guaranteed returns, walk out. Walk out, save yourself, save your money. It can't happen.

The other thing to look out for people who give fake testimonials. For whatever it's worth, up until recently, in our industry, I couldn't have anyone give a testimonial about how great Patti Brennan is or how wonderful Key Financial is and the fantastic service they provide.

Even now, under the new rules, there are so many things that we have to make sure of. Most RAs like myself, we're not going to even bother with it. Be careful if people are giving or providing these testimonials.

Anybody can say anything, and it may or may not be accurate or true. If anyone's giving you a lot of pressure that you have to invest right now, again, walk out.

**Patti:** If you feel any pressure, please be wary of that. There shouldn't be any pressure that you have to invest right now. If that's followed by someone saying, "Everyone else is doing it," forget about it. All that matters is what's right for you and your comfort level. Are you ready? Does it make sense? Are you given the time to do your own research?

If you are asked to pay for an investment for a credit card or one of these gift cards, again, another red flag should go up.

I will also say that if anyone suggests that you should be making a check out to that individual or their firm for an investment, that's another red flag. In fact, I will tell all of you, when the Bernie Madoff situation occurred, I was asked to write an article for one of the main magazines on the ways, the things that you can do to make sure that fraud doesn't happen to you.

I decided to do a little bit of a test. I was in my conference room with clients, and I did it with several groups of people. These people know me, they've been working with me, and they wanted to add to their accounts. They brought out their checkbook and just to test the theory, they said, "All right, so who do we make this check payable to?"

I said, "You can just make a payable to Key Financial," and they started to write Key Financial. I stopped them immediately, asked them to bring out the check, tear it up. Never ever, ever make a check for an investment payable to the individual or their investment firm. It should be payable to the underlying company that's going to be doing the clearing and custody of that.

It could be Charles Schwab, it could be Vanguard. In our case, it's Pershing. That's a separate company that's doing that record-keeping and sending you statements separately from what the advisor is sending.

Again, it's another way you can check and verify. It's important because this is your life savings. You don't want to be the victim of fraud. What are some other things that people have heard? People have come to us about? I've heard it all you guys. Phantom riches, people doing things with their IRAs.

You can set up a self-directed IRA and do whatever you want with it. Be careful. Just be careful. It's very interesting because some of these firms, these clearing firms, whether they're the wirehouses or the independent side if they don't allow you to make a particular investment, it would be very smart of you to ask why.

The reason is, is because there's no way they can verify that holding, and that's their job. They have to verify and send that information to the IRS. If they're not comfortable with it,

chances are you probably shouldn't be as well. As much as we all want guaranteed returns and no risk, let me just give it to you straight. It doesn't exist.

I would love to tell you that you can have it. I'm sorry. You can't. It doesn't exist. If anybody tells you that it does, be really careful. Even some of these guaranteed investments that pay high interest, you have to ask yourself why. How are they doing it? Chances are they'll take a lot more risk with your money, even if it is legitimate.

**Patti:** Also, be very careful about these advertisements that entice you go to a free lunch or something of that nature. These are a tactic. It's a psychological tool that's a quid pro quo "We're doing this for you, so you're going to do something for me." Again, it's using this psychological tool and it's a weapon in the wrong hands of influence.

Be very, very careful, especially if you are attending one of those lunches. I think that you probably already know, there is no free lunch. There just isn't. I'd love to tell you there is, there isn't a free lunch, and whether you realize it or not, you're going to feel obligated to do something in return.

I talked about the resources that are available. If you suspect fraud, and by the way, I haven't even talked about the dating frauds. These horrible people. What's happened even within our own clients, lottery schemes. Oh, my goodness, my own mother was the victim of a lottery scheme. Somebody called her on the phone, she believed them, said that she won a million dollars.

All she had to do was A, B, and C. She did A, by the grace of God, she didn't do B and C, and she was telling me, "I'm going to win a million dollars. Patti, what are you going to do with my million dollars?" I'm like, "Mom, you didn't win a million dollars, and stop." We've had other situations where people got caught up in these dating schemes.

Again, let's face it, people are lonely, especially due to COVID. People who are widowed, who may be living alone, one of these people in a foreign country, understand that. It's crazy, the information that is online and on the dark web, and they just victimize these people, men and women.

Before they know it, a \$100,000, \$200,000 is being yanked out of their accounts because they gave that person access, because they over time develop the relationship. That, "Trust me," and "I've got an emergency. Can you help me out?"

Or "Your computer's messed up, why don't you let me log on and fix it for you?" Sure enough, they're in your bank account. Be really, really wary. Don't ever give passwords, don't ever give usernames. Don't ever give anyone access to your computer. Please, please, please be aware of that.

If you suspect that you've been a victim of fraud or somebody even tried, please, it helps all of us for you to notify the regulators. We're going to put this in the show notes so that you have it as a reference. I hope you never need it. For example, US Securities and Exchange Commission, address, phone number, website, contact them.

FINRA is another regulatory agency. By the way, we answer to all of these. Then, of course, NASAA, N-A -S- A -A. It's the North American Securities Administrators Association. You

guys probably would be surprised with some of the things that we have to do to comply with the regulations, and we're the good guys.

I don't mind doing it because I know it's the right thing to protect our clients. That's what these regulations are for.

By the way, it doesn't mean and I'm going to speak for advisors across the country. It's not necessarily an indication of their services or how good they are at investing. You just want to make sure that they're doing the right thing, and that they're not doing something illegal with your hard-earned money.

Finally, if you want to do a background check on your advisor, you can go onto [investor.gov](http://investor.gov), and they'll give you the information on any investment professional in America.

Those are just a few of the tips. There's a lot of things that I could have shared with you. I don't want to scare you too much. I just want you to raise your antenna a little bit and recognize that there are a lot of people out there, white-collar criminals, who are just dying to get into your accounts and dying to get your money. You worked hard for it. Please, take the steps to protect it.

If you have any questions, go on our website. We're going to put all of these show notes on the website under the podcast tab.

Please, take care of yourselves, take care of your families, and take care of your money. I am Patti Brennan. I get to do these podcasts. I get to share this information with all of you on behalf of my firm, Key Financial Wealth Management with Wisdom & Care.