Prizant Group

RETIREMENT PLANS THAT "CLEARLY" WORK FOR YOU.

Prizant Group

TO GOOD TO BE TRUE: To be exciting, pleasing, or ideal as to be unbelievable.

"I knew the indoor pool was too good to be true."

That's too good to be true. This term expresses the skeptical view that something so seemingly fine must have something wrong with it. The term was part of the title of Thomas Lupton's Sivquila; Too Good to be True (1580).

In the world of investments, if the promised return is unusually high or not tracking with the interest rate environment, there is a high probability that it is **"To Good To Be True."** The higher the interest rate offer, compared to the appropriate Treasury debt, Treasuries the more risk one will expose themselves. With inflation being "sticky," I am beginning to see dubious income offerings and highly questionable investment opportunities. Unfortunately for the average investor, our erstwhile securities regulatory agencies (i.e. Securities Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), Commodities Futures Trading Commission (FTC)), Consumer Financial Protection Bureau (CFPB)) have done a "piss poor" job of protecting them. It seems to be that **"After The Dirty Deed Is Done,"** they come swooping in to prosecute the offenders instead of preventing the fraud in the first place. How they forget the old saying of "**A Ounce of Prevention Is Worth A Pound of Cure."** Meanwhile, people's hard-earned money has been "flushed down the toilet" and rarely, no matter what arbitration or the courts rule, is the principal recovered. Though (surprisingly) in one of the greatest securities frauds ever

perpetrated (Madoff), Feinberg did one hell of a job in "clawing back" investors' cash.
Madoff Recovery

Meanwhile, as I "trash" several governmental/industry agencies, the following fraud information from your friendly federal government is pretty well done and quite informative.

Common Types of Investment Fraud

The top threats to investors were determined by surveying state securities regulators to identify the five most problematic products, practices or schemes. The following were cited most often by state securities regulators.

Before making any investment, DFI recommends that you check to make sure that both the investment and the salesperson is registered and licensed in Washington by calling DFI at 360-902-8700 or 1-877-RING DFI (746-4334).

Promissory Notes

In an environment of low interest rates, the promise of high interest promissory notes may tempt investors, especially seniors and others living on a fixed income.

A promissory note is a written promise to pay (or repay) a specified sum of money at a stated time in the future or upon demand. Promissory notes generally pay interest, either periodically before maturity of the note or at the time of maturity. Companies may sell promissory notes to raise capital, and usually offer them only to sophisticated or institutional investors. But not all promissory notes are sold in this way.

Promissory notes may be offered and sold to retail investors. Such notes must be registered with the Securities and Exchange Commission and/or the state(s) in which they are sold or qualify for an exemption from securities registration. Most promissory notes sold to the general public also must be sold by securities salespeople who have the appropriate securities license or registration from their state securities agency.

Promissory notes from legitimate issuers can provide reasonable investment returns at an acceptable level of risk, although state securities regulators have identified an unfortunately high number of promissory

note frauds. Individuals considering investing in a promissory note should thoroughly research the investment – and the people promoting it. Investors should be cautious about promissory notes with durations of nine months or less, as these notes generally do not require federal or state securities registration.

Such short-term notes have been the source of most (though not all) of the fraudulent activity involving promissory notes identified by state securities regulators. These short-term debt instruments may be offered by little-known (or perhaps even nonexistent) companies and extend promises of high returns – perhaps over 15 percent monthly – at little to no risk. But if an investment sounds too good to be true, it probably is.

Ponzi/Pyramid Schemes

A Ponzi scheme (named after 1920's swindler Charles Ponzi) is a ploy wherein earlier investors are repaid through the funds deposited by subsequent investors.

Charles Ponzi took investors for $10 million by promising 40 percent returns from arbitrage profits on International Postal Reply Coupons.

In a Ponzi scheme, the underlying investment claims are usually entirely fictional; very few, if any, actual physical assets or investments generally exist. As the number of total investors grows and the supply of potential new investors dwindles, there is not enough money to pay off promised returns and cover investors who try to cash out.

A Ponzi bubble will burst when the con artist simply cannot keep up with the payments investors are expecting to receive.

When the scheme collapses (as it always does), investors may lose their entire investment in the fraud. In many cases, the perpetrator will have spent investment money on personal expenses, depleting funds and accelerating the bursting of the bubble.

Similarly, a pyramid scheme is a fraudulent multi-level marketing strategy whereby investors earn potential returns by recruiting more and more other investors. Multi-level marketing strategies are not intrinsically fraudulent, and there are many legitimate multi-level marketing companies offering various consumer products and services.

What makes a multi-level marketing strategy into a fraudulent pyramid scheme is the lack of a genuine underlying investment enterprise or product upon which the strategy can hope to be sustained.

Real Estate Investments

The promise of earning quick money through investments related to real estate continues to lure investors. Real estate investment scams are a perennial investor trap.

State securities regulators caution investors about real estate investment seminars, especially those marketed aggressively as an alternative to more traditional retirement planning strategies involving stocks, bonds and mutual funds. Attendees at these seminars may hear testimonials from people claiming to have doubled or tripled their income through seemingly simple real estate investments. But these claims may be nothing more than hot air.

Two of the most popular investment pitches involve so-called “hard-money lending” and “property flipping.” Hard-money lending is a term used to refer to real estate investments financed through means other than traditional bank borrowing. (This type of loan gets its name from the fact that it would be “hard to get” from a traditional lending source.)

Some firms or wealthy individuals specialize in making hard-money loans, as these loans can command comparatively high interest rates. But borrowers may seek to obtain such loans from retail investors as well. Investors may be tempted by the opportunity to earn greater rates of return by participating on a hard-money loan and may (or may not) appreciate the potential risks, including as to the borrower’s credit, the expected stability of income from the investment, or time constraints.

There are three players in a hard-money transaction: the investor, the lender and the borrower.

Private lenders raise money from investors to lend to borrowers. If funds from different investors are combined, the investment vehicle used to purchase the property is a “pooled investment,” which is a security and, as such, is subject to the protections and disclosure requirements of securities laws and regulations.

While traditional loans are based on the ability of the borrower to repay using indicators such as credit scores and income, hard-money loans are based primarily on the value of the property with which they are secured, which the borrower already owns or is acquiring with the loan.

If the borrower defaults, the lender may be able to seize the asset and try to sell it; however, it may be harder for the investor to recoup the loan depending on how it is structured.

Property flipping is the practice of purchasing distressed real estate, refurbishing it, and then immediately re-selling it in hopes of earning a profit. A property flipper can use its own money to finance the flip or can seek financing from others. Property flipping financed through borrowed funds or outside investments can be done entirely lawfully, but it can also be a source for fraud.

A scammer may, for example, defraud potential investors in the flip by misrepresenting the value of the underlying property or the expected profit potential on the flip. Scammers may also misappropriate borrowed or invested funds or seek to use unwitting investors as “straw buyers” with outside banks or mortgage lenders, leveraging investors’ names and credit scores to facilitate their scams.

Cryptocurrency Related Investments

Cryptocurrencies burst into the investing mainstream in 2017 as the values of some virtual coins and tokens skyrocketed, led by Bitcoin. Shortly after, the news featured coverage of new cryptocurrencies, coin exchanges, and related investment products. Stories of “crypto millionaires” attracted some investors to try their hand at investing in cryptocurrencies or crypto-related investments. But stories of those who bet big and lost also began appearing and continue to appear.

Before you jump into the crypto craze, be mindful that cryptocurrencies and related financial products may be nothing more than public facing fronts for Ponzi schemes and other frauds. And because these products do not fall neatly into the existing federal/state regulatory framework, it may be easier for the promoters of these products to fleece you. Investing in cryptocurrencies and related financial products accordingly should be seen for what it is: extremely risky speculation with a high risk of loss.

Social Media/Internet Investment Fraud

Social networking through the internet allows people to connect to one another more quickly and easily than ever before. Investment promoters increasingly are logging on to find investors … and their money.

A social network is a group of individuals (or organizations) who are connected through common interests, hobbies, lifestyles, relationships, faith or other beliefs. Platforms such as Facebook, Twitter, LinkedIn, eHarmony and other online social networks and communities have made it faster and easier for users to meet, interact and establish connections with other users anywhere in the world.

While social networking helps connect people with others who share similar interests or views, con artists infiltrate these social networks looking for victims. By joining and actively participating in a social network or community, the con artist builds credibility and gains the trust of other members of the group.

In online social networks, a con artist can establish this trust and credibility more quickly. The scammer has immediate access to potential victims through their online profiles, which may contain sensitive personal information such as their dates or places of birth, phone numbers, home addresses, religious and political views, employment histories, and even personal photographs.

The con artist takes advantage of how easily people share background and personal information online and uses it to make a skillful and highly targeted pitch. The scam can spread rapidly through a social network as the con artist gains access to the friends and colleagues of the initial target.

Online investment fraud has many of the same characteristics as offline investment fraud. Learn to recognize these red flags:

Promises of high returns with no risk. Many online scams promise unreasonably high short-term profits. Guarantees of returns around 2 percent a day, 14 percent a week or 40 percent a month are too good to be true. Remember that risk and reward go hand-in-hand.

Offshore operations. Many scams are headquartered offshore, making it more difficult for regulators to shut down the scam and recover investors' funds.
E-Currency sites. If you have to open an e-currency account to transfer money, use caution. These sites may not be regulated, and the con artists use them to cover up the money trail.
Recruit your friends. Most cons will offer bonuses if you recruit your friends into the scheme.
Professional websites with little to no information. These days anyone can put up a website. Scam sites may look professional, but they offer little to

no information about the company's management, location or details about the investment.
No written information. Online scam promoters often fail to provide a prospectus or other form of written information detailing the risks of the investment and procedures to get your money out.

Fraud

I regularly interact with participants who "**Want To Retire**" **BUT** (the ever pregnant but) do not have the means to enter the non-working world. Retire?

WORKING FOR A LIVING Retiring three years before the age of 65 more than doubles the chances of not being able to meet retirement income needs, according to research from asset management firm Allspring Global Investments. Conversely, working part-time for as little as 10 hours per week in the five years after turning 65 cuts the chances of not having enough retirement income by more than half from 12% down to 5%. (SOURCE: ALLSPRING GLOBAL INVESTMENTS)

We, at The Prizant Group suggest that a particular set of our participants considers **"Easing Into Retirement"** instead of a **"Full Stop!"** Of course, age bias, physical limitations, mental issues, or necessary work skills; may limit one's ability to earn in their latter years. On the bright side, one could work in a totally different sector than their past career path and find new vim and vigor. Furthermore, staying active mentally and physically is most important to fend off the ravages of the aging process. Finally, **"Beware of the Ides of March"**Ides and enjoy the always entertaining, bracket busting, one and done NCAA Basketball Tournament (a.k.a. The Dance). BTW, my beloved Northwestern Wildcats appear to be on the cusp of their 2nd appearance. Go Cats!

We will end this month's Missive with the velvety voices of "Frankie Valli and the Four Seasons" hit "It's Too Good To Be True" Four Seasons

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