

# Too good to be true? Probably

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**ACCORDING TO STATE** and federal regulators, volatile stock markets, record low interest rates, rising health care costs, increasing life expectancy and even the devastating aftermath of Hurricane Katrina have combined to create a “perfect storm” for investment fraud. (No pun intended.)

In the past, fraudsters acted alone, scammed their victims in rapid succession and beat it to an undisclosed offshore location until caught. Not anymore. These days, con artists masquerade as reputable lawyers, bankers, and fund managers and recruit thousands of legitimate advisors. Insurance agents in particular have met with a tidal wave of regulatory actions by promoting a variety of fraudulent investments to their clients.

“They (con artists) pick insurance agents because they have intimate knowledge of their clients’ finances, have the trust of their customers and are often trusted members of their communities,” says James Quiggle, director of communications at the Coalition Against Insurance Fraud, a Washington-based nonprofit education organization.

*Consumer Reports Online* warned its vast readership that “investment frauds perpetrated by insurance agents have been responsible for the disappearance of billions of dollars from people’s retirement plans.”

The following are the top five scams that insurance and financial advisors are being recruited to sell:

1. Promissory note scams: Legitimate IOUs are usually sold to sophisticated or corporate investors, not the general public. These official-looking certificates seem to offer safety with a higher-than-market rate of return but are not worth the paper they’re printed on.

2. Prime bank note scams: Fraudsters tell advisors they have special access to programs that otherwise would be reserved for top financiers on Wall Street. These supposed investments do not exist.
3. Oil and gas scams: These scams always surface when headlines predict oil shortages or a rise in natural gas prices. Unscrupulous promoters dummy-up phony paper and try to sell interests in non-existent or non-producing oil wells.
4. Equipment leasing scams: Investors supposedly buy business equipment and then lease it back to the selling company. Advisors are recruited to sell interests in pay phones, ATMs, Internet kiosks, and in the areas of disaster relief and construction equipment.
5. Disaster relief scams: Con artists tug at the heartstrings of investors and offer phony bonds to finance the reconstruction of disaster areas.

Most insurance agents and securities brokers are honest and competent professionals, but a growing number have yielded to the recruiting efforts of con artists. Why? The 15 percent to 40 percent commissions temporarily blind them to the nightmare of future problems, which include possible jail time.

Do not allow high commissions or a so-called “great opportunity” to lure you into selling fraudulent investments. Protect your reputation and do not place your career (and your freedom) in jeopardy.

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