



INVESTOR ALERT

For Immediate Release

April 10, 2012

FINANCIAL LITERACY MONTH TIP OF THE WEEK

Beware of these Potential Investor Traps!

Boise, Idaho The turmoil in the credit, securities and real estate markets has led some investors to seek higher returns in non-traditional, speculative investments – a proven feeding ground for unscrupulous promoters and salesmen. The Idaho Department of Finance warns that investors who choose to navigate these products should keep in mind the following:

- **Distressed Real Estate Schemes.** Investment offerings involving distressed real estate have been on the rise following the collapse of the real estate bubble. While many legitimate investment offerings are tied to real estate, investment pools targeting distressed real estate have become increasingly popular with con artists as well as investors. Investments in properties that are bank-owned, in foreclosure, pending short sales or otherwise in distress inevitably carry substantial risks and should be evaluated carefully. Just like other securities, interests in real estate ventures also must be registered with state securities regulators.
- **Energy Investments.** Swindlers continue to attempt to trick investors by using high-pressure marketing tactics touting the mystique associated with untapped oil and gas reserves and bountiful production runs. Even genuine oil and gas investments almost always bear a high degree of risk. Investors must realize the distinct possibility that they could lose their total investment in legitimate ventures. Energy investments tend to be poor alternatives for those planning for retirement and should be avoided by anyone who cannot afford to strike out when trying to strike it rich.
- **Gold and Precious Metals.** High gold prices have trapped some investors in gold bullion scams in which a seller offers to retain “purchased” gold in a “secure vault” and promises to sell the gold for the investor when it gains in value. In many instances the gold does not exist. Investors have also been harmed by promoters pitching investment pools in precious metal commodities and gold mines.
- **Securitized Life Settlement Contracts.** Life settlement contracts are investments in the death benefits of insurance policies that insure the lives of unrelated third parties. Legitimate investments in life settlement contracts involve a high degree of risk, and investors may be responsible for routinely paying costly premiums for policies that insure people who outlive their life expectancies. Outside the legitimate offerings, fraudsters are embracing new schemes to deceive even cautious investors. Guarantees associated with certain contracts have too often proven fraudulent; victims are left with nothing but worthless paper issued by a bonding company that does not maintain sufficient assets to fulfill the guarantee, operates in an unregulated overseas territory or simply does not exist.
- **Crowdfunding.** The federal JOBS Act (Jumpstart Our Business Startups Act) was signed into law on April 5, 2012. The provisions of this Act will go into effect throughout 2012. This Act is designed to make it easier and less burdensome for companies to raise capital in initial public offerings and private offerings; however, it also establishes lower thresholds of income and net worth requirements for investors, reduces government oversight, and allows public advertising of what in the past have been private offerings. This places more responsibility on investors to carefully evaluate these offerings *before* investing.

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Department of Finance Press Releases and a list of financial literacy month free events can be found on the Internet at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8004 or Idaho toll-free at (888) 346-3378.

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