

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

Lights! Camera! Rip-Off! How to Tell When a Scam is Born

Washington, DC -- So you wanna be in pictures? Opportunities for investors abound, but many of them are far less entertaining — and far more likely to fail — than their promoters let on. Indeed, according to the Federal Trade Commission, investment opportunities in the entertainment industry may sound glamorous, cutting edge and can't-miss, but films, infomercials and the Internet are among the most risky of ventures.

“Potential investors need to be on the alert for grifters who take their money and promise the gold, glitz and glitter we all associate with the entertainment world,” said Jodie Bernstein, Director of the FTC’s Bureau of Consumer Protection. “Unfortunately, titanic profits are reserved for very few investors or groups of investors — generally, people who know the industry very well and who take a very cautious and studied approach to investing.”

Promoters often invite consumers into the “lucrative world of entertainment” with promises of projects that “have already generated profits for industry insiders.” But many films never make it to a theater, let alone television or video distribution. Even if a film succeeds at the box office, financial backers usually are the last to recoup their investment from the project. Pitchmen also hawk the profits to be made in special interest television programming. But the success of any new network venture requires a rare combination of creative programming, an ability to get access to cable systems and an ability to draw viewers and advertisers.

In addition, fraudulent telemarketers are marketing “opportunities” to invest in Internet gambling operations and the occasionally profitable world of infomercials — part of the fast-growing direct response industry. Potential investors in cybercasinos should know that Internet gambling is not legal in any state and that fraudulent promoters traditionally overstate the profitability of casinos. As for infomercials, legitimate industry members estimate that only one infomercial in 30 is successful in generating enough sales of the featured product to make any money for investors.

Scamming telemarketers often recommend that consumers transfer their self-directed IRAs (Individual Retirement Arrangements) to finance the investment, claiming that the investment “has been approved for your IRA” and suggesting that it has been evaluated and deemed a prudent, low risk savings instrument. The fact is that the IRS does not approve or evaluate any investments for IRAs.

What’s the low down on investing in supposed high-profit, low-risk entertainment-related offerings? According to the FTC, if you want to invest in a movie, buy a ticket. If you want to invest in cable television, subscribe to a service. And if you want to invest in the Internet, sign up with an Internet service provider.

For more information about avoiding investment scams altogether, contact the Securities and Exchange Commission (toll-free 1-800-SEC-0330; www.sec.gov) or the Federal Trade Commission. The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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