



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: Social Media and Investing-Tips for Seniors

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to provide seniors who use social media with a few tips to help them do so more safely and to help them avoid investment fraud.

More and more older Americans are using social media every day, including to help guide investment decisions. Whether it is to research particular stocks, to find background information on financial professionals, to gather up-to-date news, or to discuss the markets with others, social media – web-based platforms that allow interactive communication, such as Facebook, YouTube, Twitter, LinkedIn, bulletin boards, and chat rooms – has become an important investing tool. While social media can provide many benefits, it also presents opportunities for fraudsters targeting older Americans. ***As a result, seniors need to proceed with caution when using social media as part of their investment process. The following tips can help.***

Tips to Help Avoid Investment Fraud Online

The key to avoiding investment scams on the Internet is to be an educated investor. Below are five tips to help seniors avoid securities fraud:

1. Look out for “Red Flags”

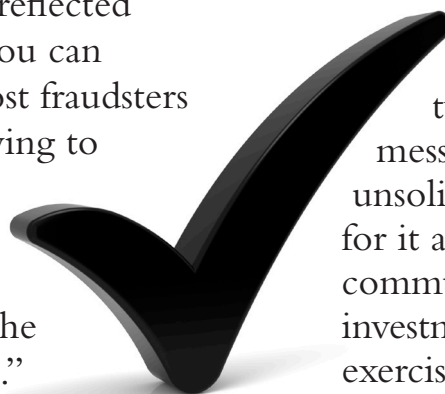
Wherever you come across a recommendation for an investment on the Internet, the following “red flags” should cause you to use caution in making an investment decision:



It sounds too good to be true. Any investment that sounds too good to be true probably is. Be extremely wary of claims on the Internet that an investment will make “INCREDIBLE GAINS” or is a “BREAKOUT STOCK PICK.” *Claims like these are hallmarks of extreme risk or outright fraud.*

The promise of “guaranteed” returns with little or no risk. Every investment entails some level of risk, which is reflected in the rate of return you can expect to receive. Most fraudsters spend a lot of time trying to convince investors that extremely high returns are “guaranteed” or that the investment “can’t miss.” Don’t believe it.

Offers to invest outside the United States. You should carefully examine any unsolicited offer to invest outside of the United States. Many fraudsters set up operations outside the United States to make it more difficult for regulators to stop their fraudulent activity and recover their victims’ money.



Pressure to buy RIGHT NOW. Don’t be pressured or rushed into buying an investment before you have a chance to think about – and investigate – the “opportunity.” Be especially skeptical of investments that are pitched as “once-in-a-lifetime” opportunities.

2. Be Wary of Unsolicited Offers

Investment fraud criminals look for victims, including seniors, on the Internet. If you see a new post on your wall, a tweet mentioning you, a direct message, an e-mail, or any other unsolicited – meaning you didn’t ask for it and don’t know the sender – communication regarding a so-called investment opportunity, you should exercise extreme caution. *An unsolicited sales pitch may be part of a fraudulent investment scheme.*

3. Look out for “Affinity Fraud”

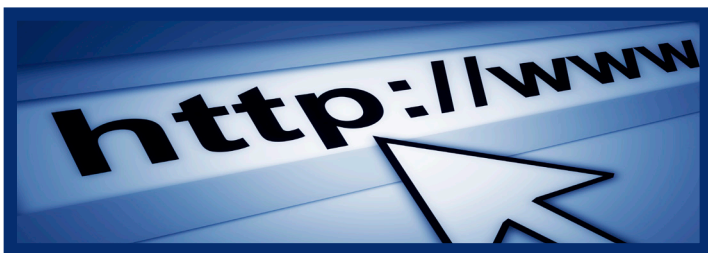
An investment pitch made through an online group of which you are a member, or on a chat room or bulletin board catering to an interest you have, may be an affinity fraud. Affinity fraud refers to investment scams that prey upon members of identifiable groups, often seniors, religious or ethnic

communities, professional groups, or combinations of those groups. *Even if you know the person making the investment offer, be sure to check out everything – no matter how trustworthy the person seems who brings the investment to your attention. Remember, the person making you the offer may not know that the investment is a scam.*

4. Be Thoughtful About Privacy and Security Settings

Seniors who use social media as a tool for investing should be mindful of the various features on these websites that can help protect privacy. *Understand that unless you guard personal information, it may be available not only to your friends, but for anyone with access to the Internet – including fraudsters.*

For more information on privacy and security settings, as well as other guidance regarding setting up on-line accounts with an eye toward avoiding investment fraud, see our Investor Bulletin [Social Media and Investing: Understanding Your Accounts](#).



5. Ask Questions and Check Out the Answers

Be skeptical. *Never judge a person's integrity, or the merits of an investment, without doing thorough research on both the person selling the investment and the investment itself.* Investigate the investment thoroughly and check the truth of every statement you are told about the investment. You can check out many investments using the SEC's EDGAR filing system or through your state's securities regulator. You can check out registered brokers at the Financial Industry Regulatory Authority's (FINRA) [BrokerCheck website](#) and registered investment advisers at the SEC's [Investment Adviser Public Disclosure website](#). See our publication [Ask Questions](#) for more about information you should gather before making an investment.

A Few Common Investment Scams Using Social Media and the Internet

While fraudsters are constantly changing the way they approach victims on the Internet, there are a number of common scams of which you should be aware. Here are a few examples of the types of schemes

you should be on the lookout for when using social media:

“Pump-and-Dumps” and Market Manipulations

“Pump-and-dump” schemes involve the promoting of a company’s stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace, in order to sell the cheaply purchased stock at a higher price. These false claims could be made on social media such as Facebook and Twitter, as well as on bulletin boards and chat rooms.

Fraud Using “Research Opinions,” Online Investment Newsletters, and Spam Blasts

While legitimate online newsletters may contain useful information about investing, others are merely tools for fraud. Some companies pay online newsletters to “tout” or recommend their stocks. Touting isn’t illegal as long as the newsletters disclose who paid them, how much they’re getting paid, and the form of the payment, usually cash or stock. But fraudsters often lie about the payments they receive and



their track records in recommending stocks. To learn more, read our [tips for checking out newsletters](#).

High Yield Investment Programs

The Internet is awash in so-called “high-yield investment programs” or “HYIPs.” These are unregistered investments typically run by unlicensed individuals – and they are often frauds. The hallmark of an HYIP scam is the promise of incredible returns (30 or 40 percent – or more) at little or no risk to the investor.

Internet-Based Offerings

Offering frauds come in many different forms. Generally speaking, an offering fraud involves a security of some sort that is offered to the public, where the terms of the offer, such as the likelihood of a return, are materially misrepresented.

What Seniors Should Know About Professional Designations

Some financial professionals use social media to attract new clients. These financial professionals may use designations such as “senior specialist” or “retirement

advisor” to imply that they are experts at helping seniors with financial issues. ***Seniors should be aware that some of these titles require little or no training or education.***

In some cases, a financial professional may need to study and pass several rigorous exams—after working in a designated field for several years—to receive a particular designation. In other cases, it may be relatively easy in terms of time and effort to receive a “senior” designation, even for an individual with no relevant experience. If you want to find out more about a particular professional designation, check out the “[Understanding Investment Professional Designations](#)” page on FINRA’s website. Please keep in mind that the SEC does not endorse any professional designation. Furthermore, we encourage you to always look beyond a financial professional’s designation and determine whether he or she can provide the type of financial services or product you need. You should thoroughly evaluate the background of anyone with whom you intend to do business—before you hand over your hard-earned cash.

Where can I go for help?

Never be afraid to complain or ask questions. If you suspect fraud or a

questionable practice and the explanations you receive are not satisfactory, do not let embarrassment or concern that you will be judged incapable of handling your own affairs prevent you from filing a complaint. Seniors who learn of investing opportunities from social media should always be on the lookout for fraud. If you have a question or concern about an investment, or you think you have encountered fraud, please contact the SEC, FINRA, or your state securities regulator to report the fraud and to get assistance.

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Related Information

For additional educational information for investors generally, see the SEC's website for individual investors, Investor.gov. For additional information about securities fraud, see:

[Guide for Seniors: Protect Yourself Against Investment Fraud](#)

[Social Media and Investing – Avoiding Fraud](#)

[Social Media and Investing – Understanding Your Accounts](#)

[NASAA Informed Investor Advisory: Social Networking](#)

[Operation Broken Trust](#)

[Avoiding Fraud](#)

[Stopping Affinity Fraud in Your Community](#)

[FINRA Warns Investors of Social Media-Linked Ponzi Schemes, High-Yield Investment Programs](#)

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

