

The Millennial Minute

The Many Faces of Investor Fraud



Private Wealth

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Financial fraud is nothing new. It's something humans have dealt with most likely since the introduction of money and wealth and with the advancement in technology, fraudsters have gotten bolder and scams have gotten more complex and harder to spot.

While fraud takes many forms, it often involves victims losing their hard-earned savings with little chance of ever getting it back.

What is Fraud?



Fraud occurs when someone tries to steal from you through deceit or an unlawful act. Many fraudsters have very convincing tactics to lure you into a sense of false security in order to get more from you, while others can threaten your safety if you don't give them what they want. Sometimes fraud involves taking small amounts of money from as many people as possible, while others focus on building your trust to get large sums from you over time.

Whatever shape it takes, fraud affects us all.

Did you know that reported financial fraud costs Canadians over \$700 million annually. However, the Canadian Anti-Fraud Centre (CAFC) estimates that only 5% to 10% of victims report their losses, meaning the actual real-world cost of financial fraud in Canada ranges between **\$7 billion and \$14 billion CAD** every year. That's billions of our tax dollars being used to try and track down and prevent fraud and – on the rare occasion – refunding those who have been scammed.

The investment world is no stranger to the world of fraud. With so many different products that are offered and the millions of different companies and third-parties that offer them, it can sometimes be hard to spot a fraudsters malicious intent. Not to mention the current state of the market being so over extended and expensive to get into, along with the uncertainty of the current AI bubble we find ourselves in, many Canadians have no interest or no means to invest. Yet having your money invested remains one of the best ways to grow your savings and your wealth, which fraudsters can easily take advantage of.

Types of Fraud

Sadly, there are endless ways to commit fraud and take advantage of people. Some are simple scams to get your personal information, while others are maliciously trying to get your money or other forms of wealth.

Here are some of the more common types of investment fraud:

1. **Crypto Scams:** Aside from the fact that cryptocurrencies is an extremely volatile and poorly regulated investment product, fraudsters can easily clone websites or even create a legitimate looking coin to get investors hooked. They offer low investment with astronomical returns and always try to sell you the guarantee that your money will grow. In reality, the majority of these coins are worthless. Fraudsters rely on the lack of knowledge surrounding cryptocurrencies to get their victim's money.
2. **Ponzi Schemes:** The MLM of the investment world. Ponzi schemes offer investments with guaranteed high returns. In fact, the money received back from these schemes is actually just money taken from other victims and shuffled around to give the illusion of real profit. When there are no more investors to take from, these schemes dry up fast, leaving investors who are still waiting on returns with next to nothing.
3. **Pyramid Scheme:** Similar to the Ponzi Scheme, but in this case, investors are rewarded only when bringing in new investors. Another MLM of the investment world.
4. **Pump and Dump:** Penny-stocks are heavily pushed by perpetrators to get investors to buy large quantities in a short amount of time. This inflates the stock price, and once the price is high enough the seller will "dump" all of their own stocks, dropping the price exponentially and ultimately you can lose a significant amount of your initial investment.
5. **Romance Fraud:** Social media and online dating apps are used to manipulate victims into virtual romantic relationships. The scammer will paint an illusion for the victim that they are facing financial trouble or there is a great investment opportunity they will benefit from if only you'd front them the money. The advancement of AI and "deepfakes" has caused an uptick in romance fraud, and you should always used caution when speaking online with someone you've never met face-to-face.
6. **Advance-Fee Scams:** Scammers will promise an investment of ridiculously high returns and requires you to pay the money upfront. Once they have your payment, you'll never hear from them again, leaving you with nothing.



The biggest issue facing us today regarding these scams is that banks put the responsibility solely on the account owner. Due to fraud becoming so widespread, banks are not equipped to help cover the vast number of losses occurring every year and have had to tighten up their rules when it comes to dealing with scams. Credit card companies assume zero-liability policies for unauthorized charges, authorized scams (like romance fraud, fake investment products, etc.) are widely denied coverage from the bank, placing the responsibility entirely on the victim, and even the government's Bill C-15 financial clauses don't truly enforce protection for victims of fraud.

The first and best line of defence is always going to be information. The more you know what to look out for, the harder it will be for fraudsters to take advantage of you.

Find ways to stay updated on the latest scams and always be wary of people you don't know who are trying to sell you a product.

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