

Investor Self-Defense

A Critical Step in Wise Investing is to Investigate **Before You Invest!**



Investing is an important part of your financial security. Understanding the risks and rewards of investing can seem difficult or complicated because there are so many different options and terminology. Never invest in something that you don't understand. Keep in mind that even the most reputable companies and advisors make a profit off your investment, regardless of whether the investment is right for you.

Before You Invest

- How much risk are you are willing to tolerate? Remember—only invest what you can afford to lose!
- Does the investment meet your needs? Ask yourself questions like: What are my future cash needs? Does this investment allow me to access funds to meet these future cash needs without significant penalties? What are the tax implications? What other investment options are available? Do I prefer to pay for investment services through a fixed fee, a commission, charge per transaction fee, a percentage of assets in my account, or a combination?
- Never meet with a salesperson alone in your home. Do not disclose your financial information, Social Security number, or other personal information until you are confident of the legitimacy of the person and the security of your information.
- Ask questions and be sure you understand all terms and conditions before signing.
- Don't rush into filling out or signing anything. Request and review written information—this includes risks, obligations, and all costs associated with the investment, as well as full disclosure about commissions, sales charges, maintenance or service charges, transaction or redemption fees, and penalties.
- Ask your attorney, accountant, stockbroker, financial advisor, or other licensed professional about the investment, and discuss options with friends and family.
- Be wary of any salesperson who promises to “take care of everything for you.” If salespeople do not want to share information, it is highly likely they are hiding something.
- Ask if the salesperson receives compensation from other sources if you buy a particular stock, mutual fund, bond, annuity, or other investment they recommend. Do they disclose potential conflicts of interest and other sources of commission? Will they put in writing whether they have any conflicts of interest? Will your investment be in an advisory account or a brokerage account? Different levels of consumer protection and disclosure may apply, depending upon the type of investment account.

Don't be a "Courtesy Victim"

Fraud can be stopped—don't let others take advantage of you just because you have good manners! It is not impolite to simply say that you are not interested or that you make it a policy to never do business over the phone. When in doubt about a sales call or personal visit, just say NO!

Be Wary of Anything that Requires "Immediate" Action

Turn down any investment opportunity with high-pressure sales tactics or warnings like "you must act now" or "tomorrow will be too late." It is far better to verify the company and individuals (and possibly miss an investment opportunity) than it is to make an uninformed decision and lose your money. If the person offering you an investment won't give you time to investigate, something is fishy.

Check Credentials

Make sure the people and firms who make money from your investments have proper credentials. BEFORE entering into financial relationships, ask advisors and salespeople to fill out the "Check Before You Invest" form (see page 23). Then call the **Department of Corporations** to verify their licenses, work history, background, company, and the investment itself. We can help you recognize possible "red-flags" before you proceed. Staff can also refer you to other licensing agencies as appropriate.

Report Fraud and Abuse

Don't let embarrassment or fear stop you from reporting fraud or abuse. If you have any doubts about an investment, or feel that you may have been a victim of fraud, PLEASE report such concerns immediately. Protect yourself and help protect others from fraud!

How to File a Complaint with the CA Department of Corporations

Complaints are the foundation of the Department's enforcement activities. Help us protect Californians from unlicensed or fraudulent consumer transactions.

- To request a complaint form to be mailed to you, call our **Consumer Resource Center** toll-free at 1-866-ASK-CORP (1-866-275-2677). OR go to our website to download and print a copy of the complaint form. The website is: www.corp.ca.gov
- Summarize your complaint. Make sure your complaint tells us WHAT happened, WHO was involved, and WHEN and WHERE the event took place. Please provide any other relevant information that may assist us in understanding and resolving your complaint.
- Provide us with copies of all documents supporting your complaint. (Please do not send originals; we may not be able to return them.)
- Type or print clearly in ink.
- Mail the completed complaint form and your supporting documents to:

California Department of Corporations
Consumer Resource Center
1515 K Street, Suite 200
Sacramento, CA 95814