MONEY SPROUTS

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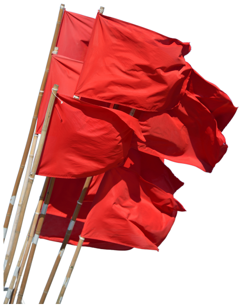
Ponzi Scheme Protection

Meet Mr. Charles Ponzi. This industrious Italian immigrant orchestrated an investment scam so grand that similar fraud schemes now bear his name. In the 1920's Ponzi made millions from unsuspecting investors who gave him money to purchase postal reply coupons for a guaranteed return. But behind the scenes, the only thing happening was Ponzi taking in money from new investors to pay earlier investors while he set aside some of that money for himself. His scheme, like those that came after, fail when there are no new investors to keep up the flow of money, and eventually the program collapses with many people losing their original investment and never seeing the promised returns.

Ponzi schemes are alive and well, unfortunately, and still creating financial harm to innocent investors. For some of the more recent and famous Ponzi schemes, read this CNBC article.

A question asked of us recently - Are crypto currencies a Ponzi scheme?
It's worth noting that the U.S. Securities and Exchange Commission (SEC), has issued an Investor Alert warning about fraudulent investment schemes involving some virtual currencies, e.g., Bitcoin. If you are considering this kind of investment, do your homework!



Ponzi Scheme "Red Flags"

According to the SEC, many Ponzi schemes share common characteristics. Look for these warning signs:

High returns with little or no risk. Every investment carries some degree of risk, and investments yielding higher returns typically involve more risk. Be highly suspicious of any "guaranteed" investment opportunity.

Overly consistent returns. Investments tend to go up and down over time. Be skeptical about an investment that regularly generates positive returns regardless of overall market conditions.

Unregistered investments. Ponzi schemes typically involve investments that are not registered with the SEC or with state regulators. Registration is important because it provides investors with access to information about the company's management, products, services, and finances.

Unlicensed sellers. Federal and state securities laws require investment professionals and firms to be licensed or registered. Most Ponzi schemes involve unlicensed individuals or unregistered firms.

Secretive, complex strategies. Avoid investments if you don't understand them or can't get complete information about them.
Issues with paperwork. Account statement errors may be a sign that funds are not being invested as promised.

Difficulty receiving payments. Be suspicious if you don't receive a payment or have difficulty cashing out. Ponzi scheme promoters sometimes try to prevent participants from cashing out by offering even higher returns for staying put.

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