Safeguarding Your Investments

1. Introduction

Any time you invest you take a certain amount of risk. That's because with any investment there's always a possibility that it could lose value at some point. You can help moderate this risk, though, by choosing investments carefully and making adjustments to your portfolio when they're necessary.

There is a completely different type of risk that you want to avoid as much as possible when investing: It's the risk of theft, fraud or other illegitimate activities. In fact, investment fraud and related crimes cost individuals and the financial services industry billions of dollars every year.

Fortunately, as an investor you're entitled to basic rights and protections, and there are many places you can go for help if you're a victim of these crimes. You can also take steps to protect yourself from fraud and scams that may be directed at you. While these precautions are primarily intended to keep your assets safe, some of these measures have an added benefit of helping you to keep better records of what you own, which is important for long-term financial planning.

2. Recordkeeping

When you invest, your accounts generate a great deal of paperwork, ranging from trade confirmations to account statements, and, of course, IRS Form 1099 tax records.

At times you might find the volume overwhelming, especially as your portfolio expands. And there may be times, perhaps when markets swoon, that you simply don't feel like opening your account statements. But reviewing and managing your account information is essential. It's the only way you'll know that money you sent to your mutual fund or brokerage account was invested, that the instructions you gave were followed and that no unauthorized transactions or withdrawals were made.

If you store your investment records efficiently, you'll have important information on hand when you need it—including when you file tax returns. And if something ever does go wrong with your account or you have problems with your brokerage firm, good recordkeeping can provide proof of the investments you made, when you made them, how much you invested and other relevant details you may need to make your case.

In fact, there are times when it makes sense to generate a little paperwork yourself. For example, if you question a specific transaction, you can begin with a phone call, but you'll want to write a follow-up letter or email. This paper trail can be an important part of making a formal complaint and pursuing a resolution.

Tax Records

One of the most important reasons to keep good investment records is to simplify the process of preparing your federal income tax returns and state returns if they apply. Unless your investments are in a tax-deferred account such as an IRA or 401(k), you must pay income taxes if your stocks pay dividends, your mutual funds make distributions—even if the dividends and distributions were reinvested—or you collect interest income from your bonds and cash investments. You must also pay capital gains taxes if you sell your investments for more than you paid for them or if your mutual fund passes profits it makes from selling investments along to you as capital gains distributions.

Whatever your tax liability, having the right information handy helps ensure that you pay what you owe—but not more. If you don't keep thorough investment tax records, you might find yourself spending hours as the filing deadline approaches gathering information that you could have compiled as you went along. Simply hiring an accountant is not the solution to bad recordkeeping because you still have to provide the details the accountant needs to prepare your returns.

One approach to recordkeeping is to keep a separate worksheet for each investment, showing when you bought it, how much you spent, how many shares or units you bought and what commission you paid. Commissions are considered part of the investment cost. Keep that paperwork in a file with your monthly and end-of-year statements, which keep you up-to-date with what's happening in your account.

By maintaining records, you'll have your cost basis, which is what you originally paid for an investment when you bought it, plus the cost of making the investment, such as commissions you paid. Knowing your cost basis is important when you sell an investment since you will either owe capital gains tax on any profit you earn or be able to use capital losses to offset other gains or ordinary income.

If you receive an investment as a gift instead of buying it, you might also record the former owner's cost basis if you know this information. And if you eventually gift your investments to other people, they will need to know your original cost basis as well. If you inherit an investment, you'll want a record of its market value on the day your benefactor's estate was valued.

For additional information about cost basis, read FINRA's article, *Cost Basis and Your Taxes—Brokerage Firms Assist, But Filing and Record Keeping Are in Your Court* at www.finra.org/investors.

Storing Investment Records

In addition to the records you keep yourself, you'll want to keep certain statements and other information your brokerage firm, mutual fund company and other financial institutions send to you.

It's smart to divide your investment records into those you'll use for short-term reference and those that go into long-term files or storage for three to seven years or longer. Once a year, it's a good idea to overhaul your records, discarding those that you no longer need. For example, if your mutual fund company sends an end-of-year summary detailing all your transactions, you can usually discard the monthly statements you received throughout the year.

Long-term storage items should include:

- End-of-year summary account statements from your brokerage firm, mutual fund company or other financial institution where you have an investment account, plus statements from college savings plans and retirement savings plans.
- Copies of your annual IRS Form 1099s, which show dividends, interest and capital gains from your investments.

- Transaction records confirming your purchase or sale of stocks, bonds and other investments. Your brokerage firm is not required to keep such records indefinitely, so it's smart to hold onto this information yourself for at least three years after you've sold an investment.
- Copies of your federal and state tax returns going back seven years, along with supporting documentation.
- Copies of your IRA and 401(k) plan documents. At your death, your beneficiaries will need this information to determine how to take distributions from your account.

Long-term storage is particularly important for tax records, which, of course, are often affected by your investments' performance. Although the Internal Revenue Service can normally audit your income tax returns for just three years, it can investigate your tax records for up to seven years. It's also important to keep any records of purchase for as long as you hold an investment.

When you do discard investment records, be absolutely sure that they don't fall into the wrong hands—identity theft is a fast-growing crime. To reduce the chances of a stranger accessing your information, you can destroy investment papers with a shredding machine. Shredding is particularly important for any records bearing your account numbers and personal identification numbers.

3. Protecting Your Investments

While you can never completely safeguard your investments against the risk of losses that may result from fluctuations in the securities markets, there are ways to protect your investments from the risks of theft, loss and even errors.

Online Security

Investors increasingly use the Internet to access their financial accounts—including bank, brokerage, credit card and other accounts—and to pay bills, buy or sell securities, transfer money or conduct other financial transactions. While the Internet is certainly convenient, investors need to be cautious to minimize the risk of unauthorized users accessing or misusing their financial information, especially when they use a computer in a public place.

To protect your account, it's smart to take certain steps when checking your investments or trading online:

- Be especially careful if you access your brokerage account using "Wi-Fi"—that is, wireless Internet available in public places. In general, public wireless networks tend to have lower security so that people can get on them without difficulty, but this convenience can backfire if you're dealing with sensitive information.
- Avoid trading or going to your account on computers that aren't your own. You won't know if the computer is infected with spyware—that is, software that peeks into other people's private accounts. And you can't easily gauge the quality of its security or virus protection.
- Change your password frequently, and use one that's difficult to guess—not your Social Security number or your spouse's birth date, for instance.
- Strengthen your computer's security. You can do this by installing firewalls, which block out unauthorized access to your computer, and spyware detection software.
- Be sure you conduct financial business only on a secure Web page with encryption—you can usually tell that a page is secure if you see a key or padlock symbol on the lower part of your screen, or if the website address starts with "https" instead of just "http."
- Log out completely. When you're finished trading or reviewing your brokerage, mutual fund or other account, don't just go to another website or simply close your Internet browser window. Instead, be sure to log out to end your online session, usually by clicking a "log out" button on your brokerage's website. Otherwise a subsequent user could track back to access your account.

If you think a stranger or unauthorized user has tapped into your brokerage account, contact your broker immediately. Review your account agreement to make sure there are protections for your assets in case your account access is compromised.

Securities Registration

The way your securities are registered can affect how safe they are from theft or loss. Stocks, bonds and other securities can usually be held one of three ways:

- **Street name registration**: The security is not registered in your name, but in the name of your brokerage firm, which holds the security for you in book-entry form. You are what's known as the beneficial owner. Chances are this is how your securities are held unless you specifically ask for another type of registration.
- **Physical certificates**: The security is registered in your name, and you hold a hard copy of a certificate that represents ownership of the security. Most public companies, particularly those that trade on a major stock exchange, no longer issue physical certificates. Securities you have held for a long time may still exist in certificate form. Note: One disadvantage of holding securities in certificate form is that it typically takes longer to sell them because the brokerage firm you take them to must first register them in its name.
- **Direct registration**: The security is registered in your name, but either the issuing company or its transfer agent—a company that maintains shareholder records—holds it for you in book-entry form. Book-entry form means that there's no certificate, but rather an electronic record on the issuer's books that you are the owner of that security. Not all companies offer direct registration.

If you choose to hold physical securities certificates, you must take special steps to safeguard them. You can't sell the securities if you can't find the certificates. If the certificates are stolen, dishonest people could arrange to have the registration transferred to another name in order to sell the asset.

For these reasons, you'll want to store any stock certificates you might have in a fireproof safe at home or in a bank safety-deposit box. Also consider electronically scanning both sides of the certificates and storing them on a personal computer or hard drive, or keeping photocopies of both sides of your certificates separate from the certificates themselves. This way, if the real ones are lost or stolen and their registration is transferred to another name, you may be able to prove that you actually owned the certificates.

If your securities certificates are missing, contact your brokerage firm immediately. You can get new ones, but you must first place a "stop transfer"

order to help prevent someone else from transferring securities ownership to their name. Your firm will also report the missing certificates to the Securities and Exchange Commission (SEC). You'll probably have to pay a fee for replacement copies, and you'll have to buy an indemnity bond in case someone later obtains the lost certificates and tries to present them as legitimate.

Account Errors

Whether human or mechanical, mistakes and errors can affect your investments. To protect your account from costly errors—and to determine whether there has been a breach of security or an unauthorized transaction—you should thoroughly review your account statements and trade confirmations as soon as they arrive.

You'll receive an account statement either monthly or quarterly, depending on your account, as well as get a trade confirmation for each transaction in your account. \Make sure these documents accurately show the date, price and type of security you bought or sold. If you hold physical securities certificates, your statement or trade confirmation should also record the certificate number. Look for trades that you didn't authorize or missing trades that you know you did authorize. If you find an error, report it immediately to your broker or investment sales representative.

It's a good idea to hold your confirmations for at least seven years or longer after selling a security. That's because your investment company is only required to keep records of securities purchases and sales for up to six years, and records of confirmations for up to three years. So you might have a hard time obtaining copies once those time periods have elapsed.

Finally, remember to look out for your Form 1099s every January (Form 1099-DIV) and February (Form 1099B), when they are due from your brokerage firm, mutual fund company, bank or other financial services firm. You'll need these records, which show the interest and dividends that were paid to you in the previous tax year and the cost basis of the investments you sold, to complete your income tax returns. If you haven't received your 1099s as established by IRS rules, ask your broker or investment sales representative about the form. And if the form shows up, but the information on it is wrong, ask for a corrected form. When you get the right form, it will be marked "corrected."

4. Investor Rights and Protections

As an investor, you have certain rights and protections. These protections range from laws that dictate the types of information companies must provide their shareholders or bondholders, to mediation and arbitration forums for resolving investor disputes. There are also provisions for courts to hear lawsuits brought by investors against companies that issue securities, and an agency that protects investors' account assets in case their brokerage firm fails.

Corporate Disclosure and Filings

Corporate disclosure is a subject of great interest to lawmakers and regulators and forms the underpinning for much of securities regulation in the United States. It is rooted in the belief that you have a right to the information you need to make informed investment decisions. Some of this information comes from the companies themselves. Corporations that have more than 500 shareholders and more than $10 million in assets are required to file reports with the SEC.

These corporations must provide both positive and negative news about their operations, business, strategies, management, financial well-being and any known risks they face in regular reports—known as filings—that they provide to the SEC. Filings take several forms, ranging in length from just one page to hundreds of pages.

What must a company file? For starters, any public corporation must file information about its business and financial results both quarterly, in 10-Q reports, and annually, in 10-K reports. These documents include general information about the organization, including its business strategies, properties and employees. The 10-K report also includes audited year-end financial statements and explains how top executives are paid—how much they receive in compensation and benefits. In addition to filing quarterly and annual reports, the company must file "current" reports on Form 8-K to let investors know more immediately about significant corporate events, such as the entry into (or cancellation of) a major contract or if the company files for bankruptcy or fires its chief executive officer or auditors.

Company filings also profile the board of directors and explain how its shareholders can vote, using a form called a proxy statement. In other filings, the company must also reveal if insiders—or people who work at the company—have been trading its stock. And if a company chooses to disclose certain information to some individuals, such as stock analysts, it must also make that information available to the general public.

You can view all of these reports and many more for free on the SEC's website, through its EDGAR database. You can find out more about using the database by visiting the SEC website at www.sec.gov.

Smaller publicly traded companies that do not meet the listing requirements of a major exchange and which do not trade on the OTC (meaning "over-the-counter") market are frequently exempt from the SEC's registration and filing requirements. Some smaller companies must provide offering circulars that provide some of the relevant information. Others are required to provide a list of owners, but not much more.

Shareholder Suits

As an individual investor, you have the right to bring or participate in a civil lawsuit against a company in which you own stock if you believe the value of its shares has declined due to corporate fraud or malfeasance. Although the outcome of any shareholder litigation is far from assured, you might recoup some of your investment losses this way.

In this kind of litigation, a group of shareholders generally hires an attorney to bring a class action suit. Often, large shareholders, such as institutions that may own millions of shares of a particular stock, initiate these lawsuits. As long as you're a shareholder, you're automatically included as a plaintiff, although you can opt out. Even if you are a plaintiff, you do not have to go to court or become actively involved. You might hear about shareholder suits from plaintiffs' attorneys advertising the case in newspapers or from the company itself. Or you may receive a notice as a shareholder of record, informing you of the suit and explaining what steps, if any, you need to take.

If, after a shareholder suit has gone to court or is settled, there is a financial award in the case, a judge usually requires the plaintiffs' attorneys to notify shareholders through newspaper ads, encouraging them to get in touch to be reimbursed. Or, if you've been notified directly about the suit, you may receive reimbursement directly. But if you're among those shareholders, don't expect much. Generally, in a securities fraud case with tens of thousands of shareholders, there may be a very large total settlement, but each participant's share is fairly small.

Securities Investor Protection Corporation (SIPC)

The Securities Investor Protection Corporation (SIPC) was created in 1970 as a non-profit, non-government, membership corporation, funded by member broker-dealers. SIPC provides limited coverage to investors on their brokerage accounts if their brokerage firm becomes insolvent. SIPC's coverage also includes limited protection against unauthorized trading in customers' securities accounts. This

coverage can include unauthorized trading by persons associated with the introducing firm and may be available even if the clearing firm, but not the introducing firm, is still solvent. All brokerage firms that sell stocks or bonds to the investing public, or that clear such transactions, i.e. introducing or clearing firms respectively, are required to be members of SIPC. Some special products firms, such as those that sell mutual funds or variable annuities only, will not be members of SIPC.

SIPC Membership. SIPC coverage applies to current (and in some cases former) SIPC members. Virtually all broker-dealers registered with the Securities and Exchange Commission (SEC) are SIPC members; those few that are not must disclose this fact to their customers. SIPC members must display an official sign showing their membership. Check whether a firm is a SIPC member through the member database or call the SIPC Membership Department at (202) 371-8300.

SIPC's power to protect customers of former SIPC members ends 180 days after the member loses SEC registration. The SEC normally does not terminate a broker-dealer's registration if the SEC knows that the broker-dealer owes securities or cash to customers. Customers can therefore better protect themselves and assist the SEC by reporting their losses promptly.

SIPC Coverage. In general, SIPC coverage is available in two distinct types of situations:

- **Insolvent or Bankrupt Firms.** SIPC was created to return customer property when a clearing firm became insolvent. In the securities industry, there are many cases where two separate broker-dealers work together to service a customer account. These firms are known as the introducing firm and the clearing firm. The introducing firm typically employs the individual broker who takes the customer's order and who sees that the order gets executed. The clearing firm will hold the customer's cash and securities and send out statements describing the assets it holds "on deposit" for the customer. If the clearing firm becomes insolvent or otherwise cannot return the customer's property, it is SIPC's responsibility, not the introducing firm's, to make sure the customer's cash and securities are returned. For years, this was the most common situation where SIPC came forward to protect customers.

  In virtually all cases, when an introducing firm ceases to operate, customer assets are safe as they remain in the custody of the clearing firm. You will find the name of the clearing firm on the monthly/quarterly brokerage statements you receive.

- **Unauthorized Trading.** SIPC's coverage also includes limited protection against unauthorized trading in customers' securities accounts. This coverage can include unauthorized trading by persons associated with the introducing firm and may be available even if the clearing firm, but not the introducing firm, is still solvent.

Limits of SIPC Coverage. SIPC is limited in the risks, amounts, and investments that it covers.

- **Dollar Limitations.** SIPC coverage is also limited to $500,000 per customer, including up to $250,000 for cash. For purposes of SIPC coverage, customers are persons who have securities or cash on deposit with a SIPC member for the purpose of, or as a result of, securities transactions. For example, if a customer has 1000 shares of XYZ stock valued at $200,000 and $10,000 cash in the account, both the security and the cash balance would be protected. SIPC does not protect customer funds placed with a broker-dealer just to earn interest. Insiders of the broker-dealer, such as its, owners, officers, partners, are not customers for SIPC coverage.

- **SIPC does not protect against market risk*.*** This is the risk inherent in a fluctuating market. It protects the value of the securities held by the broker-dealer as of the time that a SIPC trustee is appointed. Trustees are appointed through a SIPC-initiated court proceeding to supervise the liquidation of a SIPC member that is insolvent or cannot return customer cash or securities. An example shows this risk: A broker is shut down owing a customer 100 shares of ABC stock that was worth $50 a share, for a total value of $5,000. Five months later when the SIPC trustee is appointed, the stock has dropped to $30 a share. SIPC coverage would be limited to either replacing the 100 shares of ABC or the $3,000 in cash that the customer's stock is worth at the time of the appointment of the trustee. Conversely, if the stock rose to $70 a share when the trustee was appointed, SIPC would either give the customer 100 shares of ABC stock or, if the shares are not available, would give the customer $7,000. In short, the fluctuation in the value of the shares represents the market risk that is not covered by SIPC.

- **Protected Investments.** Not all investments are protected by SIPC. In general, SIPC covers notes, stocks, bonds, mutual fund and other investment company shares, and other registered securities. It does not cover instruments such as unregistered investment contracts, unregistered limited partnerships, fixed annuity contracts, currency, and interests in gold, silver, or other commodity futures contracts or commodity options.

SIPC Liquidation Process. In the rare event of a SIPC liquidation, SIPC will generally ask a court to appoint a trustee to supervise the liquidation of a SIPC member that is insolvent or cannot return customer cash or securities. The trustee's duties include ensuring the return of customer property.

The trustee will send claim forms to each customer of the liquidating broker-dealer based on the broker-dealer's records and publish notice of the liquidation on its website at www.sipc.org. In addition, such notice may be published in some newspapers. Customers receiving a claim form must return it to the trustee by the deadline on the form or risk not recovering their cash or securities. The trustee reviews the customers' forms and determines what moneys to pay and what securities to return.

5. Avoiding Investment Scams

An investment scam might involve legitimate products that are sold illegitimately or completely illegitimate investment products. To protect yourself against these frauds and schemes, it's important to be able to identify their basic characteristics and the tactics fraudsters use.

Kinds of Scams

Investment scams take many forms—and unfortunately criminals and con artists come up with new ones all the time. While the particulars of an actual investment scam might change, the basic kinds of securities fraud fall into recognizable categories:

- **Pump-and-dump**: This term applies to a stock scam in which a con artist deliberately buys shares of a very low-priced stock of a small company, known as a penny stock, and then spreads false information to drum up interest in the stock and increase its stock price. After unwitting investors purchase shares, believing they're getting a good deal on a promising stock, the con artist dumps his shares at the high price and vanishes, leaving many people caught with worthless shares of stock. You might encounter a pump-and-dump scheme in an online chat room, bulletin board, blog, or newsletter or in a blast fax, spam email or even a text message on your cell phone—so beware of any sudden increase in undocumented information touting a particular stock.

- **Pyramid schemes**: Fraudsters involved in these schemes claim that they can turn a small investment into large profits within a short period of time—but in reality participants make money solely by recruiting new participants into the program. The fraudsters behind these schemes typically go to great lengths to make their programs appear to be legitimate multi-level marketing schemes. Pyramid schemes eventually fall apart when it becomes impossible to recruit new participants,

- **Ponzi schemes**: In this scheme, a central fraudster or "hub" collects money from new investors and uses it to pay purported returns to earlier-stage investors—rather than investing or managing the money as promised. The scam is named after Charles Ponzi, a 1920s-era con criminal who persuaded thousands to invest in a complex price arbitrage scheme involving postage stamps. Like pyramid schemes, Ponzi schemes require a steady stream of incoming cash to stay afloat. But unlike pyramid schemes, investors in a Ponzi scheme typically do not have to recruit new investors to earn a share of "profits." Ponzi schemes tend to

collapse when the fraudster at the hub can no longer attract new investors or when too many investors attempt to get their money out—for example, during turbulent economic times.

- **Boiler rooms and bucket shops**: These are common terms for settings from which scammers sell stocks illegally, usually by making cold calls to unsuspecting investors. Using unscrupulous, high-pressure tactics, these scammers try to sell high-risk stocks without truthfully disclosing everything you need to know. Often, a bucket shop or boiler room operators don't buy the shares the investors order—they just disappear, taking the money with them. By the time authorities are alerted, the site has been abandoned.

- **Unregistered securities**: In this common type of fraud, an investment salesperson—who might or might not be licensed—pitches you stocks, bonds or other securities that have not been properly registered with either a stock exchange or with the state in which they're sold. Most unregistered securities promise low risk and high returns, when in fact buyers get just the opposite—a great deal of risk, little chance of earning anything on their investment and no way to recoup their losses. Among the things these scammers may push are off-shore securities, oil and gas investments and what they call prime bank investments.

- **Advance fee fraud**: These schemes play on an investor's hope that he or she will be able to reverse a previous investment mistake involving the purchase of a low-priced stock. The scam generally begins with an offer to pay you an enticingly high price for worthless stock in your portfolio. To take the deal, you must send a fee in advance to pay for the service. But if you do so, you never see that money—or any of the money from the deal—again.

Tactics

Fraudsters use a number of psychological tactics to fall for their schemes. These include:

- **Source credibility**, using a fancy title or other trappings of success. Fraudsters hope that if they look successful, you won't bother checking their credentials.
- **"Phantom riches**,**"** that guarantee a certain return or promise spectacular profits. These are riches you might visualize, but then they never materialize.
- **Social consensus** is the "everyone is doing it" story. Don't believe claims that "everyone" is in on the deal. Be wary of a sales pitch that focuses on how many people are investing, without telling you why the investment is

sound. Remember, affinity frauds are scams that prey upon members of the same social circle, religious group or ethnic background.

- **Scarcity** is a tried-and-true tactic that the offer is for a limited time only, or that investment opportunities are limited. A legitimate investment will still be there tomorrow.
- **Reciprocity** is a tactic that plays on our feeling of obligation: when someone does, or offers to do, a small favor for you, you may feel obliged to do a big favor for them, such as buy what they are selling.

Recognizing these tactics can go a long way toward helping you avoid being a victim of financial fraud.

Red Flags of Fraud

To stay on guard and avoid becoming a victim, look for the warning signs of investment fraud:

- **A pushy broker or investment salesperson**: No reputable broker, investment sales representative or other investment professional should push you to make an immediate decision about an investment, or tell you that you've got to "act now." If someone pressures you to decide on a stock sale or purchase, steer clear. He or she might be selling unregistered securities, working in a boiler room or bucket shop or setting you up for some other kind of fraud. Even if no fraud is taking place, this type of pressuring is inappropriate, and you might want to report these situations to the firm where the person works if you think the firm itself is legitimate.

- **Account discrepancies**: If in reviewing your account statements you notice unauthorized trades, missing funds or other problems, there may be cause for alarm. Such discrepancies could be the result of a genuine error, but they could also indicate churning or fraud.

- **Guarantees**: Be immediately suspicious of anyone who guarantees that an investment will perform a certain way. While some investments pose less risk than others, all investments except insured bank products can lose as well as make money. Anyone who guarantees a "no risk" investment is not telling the truth—and could be trying to hook you into a scam.

- **Missing documentation**: If a broker or investment salesperson tries to sell you a security with no documentation—that is, no prospectus in the case of a stock or mutual fund, and no offering circular in the case of a bond—he or she may be selling unregistered securities. The same is true of stocks without stock symbols. You should be able to see an investment's issuer, prior performance, terms, any fees you must pay and, in the case of bonds and CDs, the maturation date. Likewise, if you open an investment account but never receive copies of forms and agreements, you should close the account and move your business elsewhere.

- **High investment returns**: Watch out if someone tells you a particular investment can or will provide higher investment returns than you can get anywhere else. A realistic return depends on the type of investment, but the promise of anything above 10 percent should make you suspicious for two reasons. First, over the past seven decades, the average annualized total return of the Standard & Poor's 500 Index, a measure that gauges broad stock market performance, has been about 9.6 percent. In some market cycles, small company stocks have done a little better. But historically no other investments have come close to that level with any degree of consistency. And this leads to the second reason that any

guarantee of steady returns on stock-based investments should be a red flag: notwithstanding long-term historical averages, stocks have and can fluctuate significantly over short periods.

- **Nontraditional products**: While scammers may use stocks, bonds, mutual funds, exchange-traded funds and cash equivalents as part of their ploy, it's often easier to trap careless investors with products that offer better tax benefits or promise bigger returns. While many of these alternatives are legitimate investments and may be appropriate for some investors, there is a reason they are not mainstream: they tend to tie up your money for a long time and charge higher-than-average fees. Limited partnerships, sale-leaseback contracts and pre-initial public offerings opportunities (Pre-IPOs) are some examples. Be suspicious as well of investments linked to other people's life insurance.

For more about how to recognize and avoid financial fraud, go to www.saveandinvest.org/fraud.

6. Investor Assistance

Depending on the type of assistance you need, the resources below can help you report and attempt to resolve investment-related issues.

- **Securities Helpline for Seniors®**. If you are an investor with questions about your brokerage account statement or an investment in a brokerage account, or if you are concerned that your account may have been mishandled by an investment professional, FINRA operates a toll-free number: **844-57-HELPS (844-574-3577).**

- **Complaint Centers.** Regulators such as FINRA, the SEC or your state securities regulator provide mechanisms through which you can file a complaint. If you are unable to resolve a matter with your firm or investment professional, filing a complaint is often the best place to report suspicious or potentially fraudulent activity, or to determine if there is a matter that requires regulatory attention.

  You can file a complaint online by visiting the FINRA Complaint Center at www.finra.org/complaint, or you can fax or send a written complaint to:

  FINRA Investor Complaint Center
  9509 Key West Avenue
  Rockville, MD 20850
  Fax: (866) 397-3290

  If your complaint involves an investment adviser, transfer agent, mutual fund or public company, you may want to file your complaint with the Securities and Exchange Commission (SEC) or with your state securities regulator. You can also submit a complaint about a broker. To contact the SEC's Office of Investor Education and Advocacy, call toll-free (800) SEC-0330 or visit the SEC's online Complaint Center at http://www.sec.gov/complaint/select.shtml.

  To contact your state securities regulator, check the government section of your local telephone book or contact the North American Securities Administrators Association (NASAA) by visiting www.nasaa.org or calling (202) 737-0900.

- **Arbitration or Mediation.** Investors can file an arbitration claim or request mediation through FINRA when they have a dispute involving the business activities of a brokerage firm or one if its brokers. To be considered, the alleged act resulting in a claim must have taken place within the past six years. Arbitration can be a faster, cheaper and a less complex option to

recover money rather than going to court. You may want to hire an attorney to represent you during the arbitration or mediation proceedings to provide direction and advice. If you cannot afford an attorney, some law schools provide legal representation through securities arbitration clinics. These services require modest filing fees depending on the size of the claim. However, FINRA may grant financial hardship waivers when warranted.