

Investor Alerts and Bulletins

Investor Alert: Ponzi Schemes Targeting Seniors

April 9, 2018

The SEC's Office of Investor Education and Advocacy (OIEA) and Retail Strategy Task Force are warning investors about Ponzi schemes that prey on senior investors.

Many seniors have spent years saving and investing, which is a great way to achieve financial security – but also may make them targets for investment fraud, including [Ponzi schemes](#). In a Ponzi scheme, fraudsters use money they collect from new investors to pay existing investors. What appears to be a return on your investment is actually money from another investor who has been swindled.

Before investing, check for these classic warning signs of a Ponzi scheme:

- **Promises of High Returns with Little or No Risk.** Guaranteed high investment returns are the hallmark of a Ponzi scheme. Every investment has risk, and the potential for high returns usually comes with high risk. If it sounds too good to be true, it probably is.
- **Unlicensed and Unregistered Sellers.** Most Ponzi schemes involve individuals or firms that are not licensed or registered. Even if an investment professional comes across as likeable or trustworthy, use the free search tool on [Investor.gov](#) to check whether the person is licensed and registered.
- **Overly Consistent Returns.** Investment values tend to fluctuate over time. Be skeptical of an investment that generates steady positive returns regardless of market conditions.

If you or someone you know has been pitched an investment with any of these red flags, [report](#) it to the SEC. Also, be wary of aggressive sales ploys such as pressure to buy immediately and persuasion tactics such as offering investment seminars with a free meal. Take your time deciding whether an investment is right for you and don't give any money until you have confirmed for yourself that the seller is licensed and registered.

For investments that you already have, be suspicious if you have problems getting paid or if you are pressured to rollover your investments. Ponzi scheme promoters sometimes try to prevent investors from cashing out by offering even higher returns for staying invested.

The SEC has brought enforcement actions involving Ponzi schemes aimed at seniors, including:

- In the [Lifepay Group, LLC](#) matter, two defendants conducted an alleged Ponzi scheme that targeted seniors and their retirement savings. The SEC alleges that these defendants offered investors unregistered promissory notes, telling them that their money would be used for real estate investments that would generate high returns. To keep the Lifepay scam going, these defendants allegedly used new investors' money to pay earlier investors and convinced investors to rollover their investments into new promissory notes for larger amounts. According to the complaint, these defendants only invested a small portion of investors' money in real estate and stole roughly \$1.3 million to pay for personal expenses.
- In the [Woodbridge](#) matter, the defendants allegedly conducted a \$1.2 billion Ponzi scheme in which thousands of people invested their retirement savings. The SEC alleges that the defendants employed hundreds of sales agents to advertise through television, radio, newspaper, cold calls, social media, websites, seminars, and in-person presentations. According to the complaint, although the defendants claimed that investors would get paid revenue from high-interest loans to third parties, the defendants, in reality, used money from new investors to pay returns owed to existing investors. One defendant allegedly used \$21 million of investors' money for his own extravagant personal expenditures.

Whether you are a senior or someone looking out for a senior, know the signs of a Ponzi scheme and steer clear.

Additional Resources

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

[Updated Investor Alert for Seniors: Five Red Flags of Investment Fraud](#)

[Social Media and Investing - Tips for Seniors](#)

[Investor Bulletin and Consumer Advisory: Planning for Diminished Capacity and Illness](#)

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