

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

Online Investment Opportunities: ‘Net Profit or ‘Net Gloss?

Washington, DC — When it comes to investment opportunities on the World Wide Web, keep a watchful eye. The Web has many legitimate investment opportunities, but it also plays host to some unscrupulous players. Unfortunately for potential investors, sometimes it’s tough to tell the difference.

Some fraudulent investment promoters fool visitors through web sites that make their “investment company” look like a solid, top-rated Wall Street investment firm. Other fly-by-night companies can feature slick-looking web sites that use graphics, audio and even video clips. Still others pique your curiosity with messages on Usenet groups that promise big profits and direct you to call or email for more information. When you respond, you’ll hear:

- \$ offers of a “ground floor opportunity” for you to realize a better return on the investment than any other you’re involved in
- \$ guarantees of big profits in a short time
- \$ claims that minimize or mask the risk involved
- \$ lots of pressure to act now because the “market is moving.”

Before you respond to any online investment opportunities, the Federal Trade Commission says to look for these signs of a company that may not be on the up-and-up:

- \$ **“THIS INVESTMENT IS IRA APPROVED”**: Some online investment opportunities may claim that their investment has been “approved” for your IRA. Don’t believe it. The IRS does not “approve” investments for IRAs.
- \$ **“OUR WEB SITE WILL MATCH YOU WITH INVESTMENT OPPORTUNITIES”**: “Matchmaker” web sites offer to find investment opportunities that appeal to your unique interests. Ask questions. Get satisfactory answers. Do the operators of the web site disclose their identities and affiliations, if any, with the investments they’re touting? Do they insist on their fee before they allow you to view their list of offerings? Who are you dealing with? Get detailed information about the company, be wary of any up-front fees, and keep your bank account information to yourself.
- \$ **“OFFSHORE INVESTMENTS ARE TAX-FREE AND CONFIDENTIAL”**: When the company behind the web site claims to be located offshore or offers an “offshore, tax-free” investment, get a second opinion from someone you trust — your attorney, financial advisor, or accountant — who is knowledgeable about the tax implications of “offshore” investments.
- \$ **“SUBMIT YOUR FINANCIAL INFORMATION ONLINE”**: Some web sites may ask you to submit personal financial information online to determine whether you’re an “accredited investor.” In addition to your name and email address, you may be asked for your income level, bank

account information, Social Security Number and other personal information. Sometimes, this is a ploy to develop a “lead list” of potential investors. In any case, be very careful before you submit any personal information online. Before you do, visit the site’s privacy policy. It should tell you what personal information the site collects and how the information is used.

For more information about investing on the Internet contact the following organizations:

Federal Trade Commission
www.ftc.gov
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877--FTC-HELP (382-4357)
202-326-2502 (TDD)

North American Securities Administrators
Association, Inc.
www.nasaa.org
10 G Street, NE
Suite 701
Washington, DC 20002
202-737-0900

Commodity Futures Trading Commission
www.cftc.gov
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
202-418-5000

National Association of Securities Dealers
www.nasd.com
1735 K Street, NW
Washington, DC 20006-1500
202-728-8000

Securities and Exchange Commission
www.sec.gov
450 Fifth Street, NW
Washington, DC 20549
202-942-7040

National Association of Investors Corporation
www.better-investing.org
PO Box 220
Royal Oak, MI 48068
248-583-6242

Employee Benefit Research Institute
www.ebri.org
2121 K Street, NW
Suite 600
Washington, DC 20037-1896
202-659-0670

American Savings Education Council
www.asec.org

InvestorGuide
www.investorguide.com

InvestorWords
www.investorwords.com

The Motley Fool
www.fool.com

Alliance for Investor Education
www.investoreducation.org

The Online Investor
www.theonlineinvestor.com
www.investhelp.com

invest-o-rama
www.investorama.com

Pathfinder.com
Fortune.com
Money.com

National Fraud Information Center
www.fraud.org

Small Business Administration
www.sba.gov