

Scam Alert

Chicken, Fish or Fraud?

What those 'free' lunches really cost you

By [Sid Kirchheimer](#) - October 1, 2008 - From the AARP Bulletin print edition

The meals at "free lunch" seminars are often delicious. But the aftertaste can be unpleasant, usually fueled by scare tactics or high-pressure hype from so-called senior investment experts.

Investors enticed to such sessions may lose more than their appetite when they later realize that their "no-risk, high-yield" investment was neither.

Take Neal Dukes, 74, of Grand Ledge, Mich. He lost \$250,000 in an investment scam three years ago—one of 20 older people duped of a total of \$2 million. "I had hoped to retire, but that will not happen," says Dukes, who owns a pest-control business. "So far, my court-ordered restitution has been less than \$25 total."

"The typical pitch is 'you need to buy this product or either the government will get all your money or you'll be living on dog food,'" says Fred Joseph, Colorado securities commissioner and president of the North American Securities Administrators Association (NASAA). "At best, the investments are not suitable for everyone ... At worst, they are outright scams."

Not all seminars intend to cheat participants. But most are sales presentations, despite claims of being "educational workshops" where "nothing will be sold," according to a 2007 investigation by the federal Securities and Exchange Commission (SEC). Among the 110 firms scrutinized, half made exaggerated or misleading claims, and one in four pitched investments—such as annuities or high-commission investments—that were unsuitable to the audience, usually retirees or others over age 60. About 13 percent of the investments pitched appeared to be outright fraud, the SEC reported.

Often, participants are recruited through newspaper ads or church or civic organizations. Or invitations are sent to those known to have or thought to have nest eggs.

AARP has been collecting invitations from members and holding workshops about the potential risks of free-meal seminars. Linda Cena, director of securities for Michigan's Office of Financial and Insurance Services, says that, after she spoke, a woman in the audience came forward and "we were able to stop a \$50,000 investment before the check cleared." In another case, Cena says, a man decided against making a \$1 million investment when he realized the presenter he'd met at a seminar wasn't registered or qualified as an investment specialist.

Ways to protect yourself:

Don't invest without checking the presenter's credentials at your state securities regulatory agency. [NASAA](#) provides a state list.

Ask the right questions: Suggestions are available from the [SEC](#).

Be wary of hot "new" investments, such as alternative energy sources and hedge funds.

Most of all, be skeptical about what you hear.

For more on investment fraud, visit the [FEC website](#) or the [NASAA website](#) and click on "Senior Investor Resource Center."

You can [volunteer for AARP](#) to be a monitor at seminars near you, and you can send your invitations to AARP, Financial Security Free Lunch Mailbag, 601 E St. N.W., S11-176, Washington, DC 20049.

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