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## Social Media or Fraud - You Decide

**By Joshua Horn - March 1, 2012**

In this day and age, anyone who uses the internet appreciates the use of social media. There is another sector of our society that also enjoy social media; namely, individuals who engage in investment fraud. The SEC's Office of Investor Education and Advocacy recently issued an alert to help investors be more informed about fraudulent investment schemes that may use social media.

The SEC noted that social media is particularly attractive to criminals because it gives them wide access at low cost. It is relatively easy to create a webpage, emails or direct messages that appear to be legitimate. To the unwary, this could be a trap.

Common investment schemes include pump-and-dump stock manipulation; spam blasts of investment newsletters; high-yield investment programs; and internet-based offerings. The SEC also noted potential areas of concern for investors, including unsolicited investment pitches; investments that are too good to be true; promises of guaranteed returns; and pressure to buy now.

Investors must also be wary of affinity fraud, which is an investment based solely on the recommendation of a member of an organization to which you belong. Fraudsters frequently use religious affiliations as a way to perpetrate affinity fraud. Regardless if you are a member of the group or know the person making the pitch, investors should do more to learn as much as they can before they invest.

Also, investors who use social media websites as a tool for investing should be cautious about the privacy features of the sites to prevent being a victim of a fraud. You may unknowingly be providing your personal financial information to a criminal.

The SEC investor alert also should provide broker-dealers and investment advisors the impetus to look at their own use of social media. If you use social media to reach out to potential investors, you need to do more to ensure that the social media is being used for a proper purpose.

In addition, you need to be cautious about the information you put out to the public as it may be used by a criminal to create the appearance of an investment offered by your firm. In these instances, the legitimate firm may be faced with the prospect of holding the bag when a criminal pawns off an investment as yours, only to direct funds to the fraudulent enterprise.

Social media is an excellent tool to broaden your reach to potential investors, but the key is to keep a tight grip on its use or you too may be the victim of a fraud.