

## Sweepstakes

*Soon after Irvin sent in a sweepstakes entry, he began to receive many other sweepstakes mailings that implied he was close to being a grand prize winner. Thinking he could increase his odds of winning, he began buying books, magazines, and other products through these sweepstakes. He spent \$1,500 but never won anything.*

Before you respond to a sweepstakes mailing or telephone call that says you are their "guaranteed winner," ask: What's in it for them?

The truth is, sweepstakes are not trying to give you money - they're trying to get your money.

The only aim of their mailings and telephone calls is to get you to buy products. Fraudulent prize promotions want to trick you into paying for a "processing fee" or to pay by calling a "900" number. Too often, seniors on fixed incomes are lured by the hope of winning a sweepstakes into buying products they don't need or paying excessive fees. Some people even lose their life savings because they become addicted to entering sweepstakes, ordering merchandise in the mistaken belief that it will increase their chances of winning. They can't stop because they don't want to lose what they've "invested." They continue to receive mailings and phone calls that suggest they are close to winning. In reality, their chances of winning a legitimate sweepstakes are very small, and there are many fraudulent sweepstakes that either don't award any prizes, or offer gifts that turn out to be almost worthless.

- Don't be pressured into buying anything through a sweepstakes. A sweepstakes must tell you that "No purchase is necessary." By law, you can enter and have an equal chance of winning without buying anything.

- Be skeptical if a call or letter tells you that you are almost "surely the winner" or that you are "very close to winning." The truth is that thousands of people are getting the same phone call and mail. Your chances of winning are very small.

- Never send money to pay for "taxes," "shipping costs," or "processing fees." Prize winners pay taxes to the Internal Revenue Service, not to sweepstakes promoters.

- Be aware that a request to send money by courier or overnight delivery is a sign of a scam.

- Be wary of sweepstakes that have a name similar to, but not quite the same, as a well-known national charity.



## Home Improvement Scams

*Aretha noticed a leak in her living room ceiling and called a plumber. The plumber told her that all her bathroom pipes were broken and needed to be replaced, at a cost of \$1,500. He said she risked an electrical fire if she didn't have the work done. She sought a second opinion. The other plumber found that the problem was only some failed caulking around the bathtub.*

Home repair fraud is often aimed at senior citizens. Unscrupulous repair persons sometimes use scare tactics to pressure people to have unnecessary, expensive repairs made. They overcharge for shoddy work, or take money and then never show up to do the work.

One of the most common kinds of home repair fraud involves offers from transient work crews. Strangers knock on your door and say they've been working in your neighborhood and have some extra material left. They offer to seal your driveway or fix your roof for a discount, but they take your money and then disappear.

Another scam involves strangers who knock on your door and offer to do a free inspection of your furnace, chimney, or drinking water. Once inside, they pretend to find a serious health or safety problem requiring expensive repairs. Even worse, they may only be trying to get inside your home to steal money or valuables from you.

Be cautious when they demand cash payment or indicate the offer is only good for that day. Don't let yourself be pressured.

It's best to say no thanks to these unsolicited offers, and to not open your door to strangers. Instead, get recommendations for home improvement companies from satisfied friends and neighbors.

- Shop around for a contractor, getting price estimates from several. When requesting an estimate, ask if there is a charge. A smart shopper would also get two or more references on each contractor.

- Get references to see if the work was done properly, on schedule, and at the agreed price.
- Insist on a detailed contract. The contract should include: a specific description of the work to be done, materials, labor cost, timetable, payment schedule, start/ending dates, names of subcontractors, warranty agreements, and cleanup and financing arrangements.

- Check to see if the contractor has been disciplined or if the license has been suspended or revoked. Builders and contractors are licensed by the Licensing Division of the Bureau of Commercial Services, Michigan Department of Licensing & Regulatory Affairs. You may visit the Licensing Division's website, at [www.michigan.gov/lara](http://www.michigan.gov/lara), and click on the links for "Bureau of Commercial Services" and then "Licensing Services." You can also reach the Licensing Division at 1-517-373-8376.

The Bureau's home page for Residential Builders, Maintenance and Alteration Contractors provides general information on issues relating to builders' licenses, including additional tips for consumers.

Consumers may visit the Bureau of Commercial Services' website to verify current license status and check for prior disciplinary action. If possible, use the builder's license number as well as the name of the builder and the business name.

Decisions issued in response to formal complaints are also accessible online.

If you would like to file a complaint against a builder, or check to see if there are complaints about a specific builder, you may also call the Licensing Services Division at 1-517-373-8376 or write to:

**Bureau of Commercial Services**  
**P.O. Box 30018**  
**Lansing, MI 48909**

**Remember:** Always check a home improvement contractor's license and complaint history by calling the Attorney General's Consumer Protection Division, at 1-877-765-8388, and the Bureau of Commercial Services, at 1-517-373-8376.



## Travel Scams

*Hector and Sonia signed up to win a "free trip" at a local fair. A short time later, they received a phone call saying they had won the trip. To claim it, they had to attend a presentation about a travel club. The salesman said the club would let them stay at nice resorts year after year at very little cost, after they paid the initial membership fee. After a long, high-pressure sales talk, they agreed to join and wrote a check for \$2,500. They quickly regretted it. Their free trip was a weekend stay at a run-down hotel in Las Vegas. They tried to use their membership to arrange a stay in Mexico, but the club never had availability there. A few months later, the club went out of business, taking all their money with it.*



**"Free trip"** offers are one of the most common consumer scams. The free trip is usually just a bait to get consumers to buy memberships in expensive timeshares or travel clubs or the trip isn't really free at all – you have to pay a lot of fees and extra costs. If you receive a phone call or postcard saying you've won a vacation, beware. You'll probably have to attend a sales presentation or tour a campground or timeshare facility to receive your free trip. The salespeople will use high-pressure sales tactics to get you to purchase a membership or timeshare. You may also receive offers from "card mill" companies. They tell consumers that the cards will help them gain access to free or reduced travel.

Many consumers who sign contracts at these presentations later regret their decision. They find out too late that the club is more expensive than they thought because of added fees, dues, and costs. Some consumers can't get the dates or locations they requested. Others find the accommodations to be of poor quality. Worst of all, some of these companies go out of business, taking all their customers' pre-paid membership money with them.

- Be skeptical of "free trip" offers. Go to a sales presentation only if you are interested in what the company is selling.
- Never make a decision on the spot. Insist on taking the contract home to study. If the business won't allow this, leave.
- Understand all the costs. What is and isn't included? Are there extra fees for maintenance, processing, dues, peak season, upgrades, hotels, airlines, port taxes, and meals?
- Know your cancellation rights. Under Michigan law, if a consumer is offered a prize or merchandise valued at more than \$25 in exchange for attending a sales promotion for goods, services, or memberships – such as a travel club membership – that have a value of \$500 or more, the consumer must be given written notice that they have three business days after signing to cancel the purchase agreement or contract. However, using your right to cancel isn't always easy, so don't sign a contract unless you're sure about your decision.

- Always think twice before paying a lot of money in advance for a future benefit. What if you invest thousands of dollars and the travel club goes out of business? It's happened to many Michigan seniors.
- As a general rule, research any travel service to make sure the company is established and reliable, before paying any costs or signing documents.

Before you agree to pay any money for a bargain travel package, ask to have written material that describes all the terms and conditions sent to you. If they won't send it, turn it down.

### Incredible Prices That Aren't

A different kind of travel scam offers you an "unbelievable" price on a vacation. To take advantage of the offer, you have to give your





## 2. Financial & Investment Scams

### Common Investment Scams

Here is a list of popular investment scams:

**1. "Free lunch" seminars.** Often the people getting rich are those running the seminar, making money from the high commission products they sell to attendees. These seminars are marketed through newspaper, radio and TV ads, mass-mailed invitations, and mass e-mails. There's a certain consistency to the invitations for these events: a free gourmet meal, tips on how to earn excellent returns on your investments, eliminate market risks, grow your retirement funds, and spouses are encouraged to attend.

The bait for many of these seminars is that "income" will be "guaranteed" and substantially higher than the returns someone on a fixed income can expect to get from certificates of deposit, money market investments, or other traditional financial products. Often the speakers at these events use impressive-sounding but sometimes highly misleading titles and professional designations. Many of these designations imply that whoever bears the title has a special expertise in addressing the financial needs of seniors. Often promoters push unsuitable products based on high commissions they receive from selling these products. For example, variable and equity indexed annuities are often unsuitable for senior citizens because those products are generally long-term investments that limit access to invested funds. But sales agents stand to earn high commissions on these investment products so they don't always adhere to the suitability standards – with dire consequences for seniors. Remember: Make sure your investments match up with your age, your need for access to money, and your risk tolerance.



**2. Unlicensed individuals,** such as life insurance agents, selling securities. To verify that a person is licensed or registered to sell securities, call the Office of Financial and Insurance Regulation at 1-877-999-6442. If the person is not registered, don't invest.

**3. Affinity group fraud.** Many scammers use their victim's religious or ethnic identity to gain their trust – knowing that it's human nature to trust people who are like you – and then steal their life savings. Be wary – no community seems to be without con artists who seek to exploit others for financial gain.

**4. Ponzi/pyramid schemes.** Always in style, these swindlers promise high returns to investors, but the only people who consistently make money are the promoters who set them in motion, using money from new investors to pay previous investors. Inevitably, the schemes collapse.

They're called pyramid schemes because the people on top need to recruit an impossible number of people on the bottom to continually generate profits for everyone. Thus, only the top people profit, while the remaining pyramid population lose money. Ponzi schemes are the legacy of Italian immigrant Charles Ponzi. In the early 1900s, he took investors for \$10 million by promising 40 percent returns from arbitrage profits on International Postal Reply Coupons. Remember that all investments come with some risk. No legitimate investment can guarantee an outrageously large return in a short amount of time. The old adage rings true with respect to Ponzi schemes – if it sounds too good to be true, especially in this economy, it probably is.

**5. Cash gifting schemes.** Cash gifting schemes are the quintessential example of a pyramid scheme, described above. Generally, these gifting "circles," "clubs," or "groups" encourage participants to pay a substantial entry fee (which can range anywhere from \$500 to \$5,000 or more). This entry fee will guarantee the participants a place on a chart of members.

The participants will move on the chart every time they recruit more people into the "circle" or "club." And once the participant moves enough on the chart, they are "guaranteed" a large payout. Gifting schemes operate under a variety of names, as con artists that start these schemes are endlessly creative in their quest to con a lot of people out of a lot of money. Con artists also promise that payouts from these schemes are non-taxable "gifts." The IRS disagrees – any payout received from a cash gifting scheme is taxable income. In addition, participation in a cash gifting or other pyramid scheme is illegal in the State of Michigan. If you are approached to participate in a cash gifting scheme, notify your local police department or county sheriff's office.

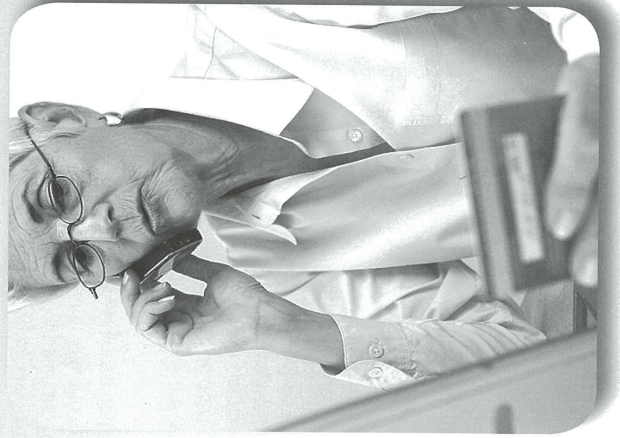
**6. Promissory notes** are short-term debt instruments issued by little-known or sometimes non-existent companies that promise high returns – upwards of 15 percent monthly – with little or no risk. These notes are often sold to investors by independent life insurance agents.

**7. Internet fraud.** Scammers use the wide reach and supposed anonymity of the Internet to sell thinly traded stocks, bogus offshore "prime bank" investments, and pyramid schemes. Investors should ignore anonymous financial advice on the Internet and in chat rooms.

**8. Payphone and ATM sales.** Investors leased payphones for between \$5,000 and \$7,000 and were promised annual returns of up to 15 percent. The largest of these investments appeared to be nothing but Ponzi schemes.

**9. "Callable" CDs.** These higher-yielding certificates of deposit won't mature for 10 to 20 years, unless the bank, not the investor, "calls," or redeems, them. Redeeming the CD early may result in large losses – upward of 25 percent of the original investment. Regulators say sellers of callable CDs often don't adequately disclose the risks and restrictions.

**10. Viatical settlements.** Originated as a way to help the gravely ill pay their bills, these interests in the death benefits of terminally ill patients are always risky and sometimes fraudulent. In a legitimate investment, the insured is paid a percentage of the death benefit in cash in exchange for the investor getting a share of the death benefit when the insured dies. Because of uncertainties predicting when someone will die, these investments are extremely speculative. In a more recent twist, "senior settlements" – interests in the death benefits of healthy older people – are now being offered to investors.



**11. Prime bank schemes.** Scammers promise investors triple-digit returns through access to the investment portfolios of the world's elite banks. Purveyors of these schemes often target conspiracy theorists, promising access to the "secret" investments used by the Rothschilds or Saudi royalty. The investment may sound good when they tell you it's guaranteed to reap large financial rewards. However, be suspicious when the offer is said to be limited to only a few people and is only good for an immediate response.