
COLD CALLING AND INVESTMENT SCAMS



"...these telemarketing scams have cheated many thousands of investors and have been the subject of international attention".

Australian Investment and Securities Commission

Investors Beware

It is a business maxim that in times of economic recession/recovery fraudulent activities increase. In times when people are in need of good returns they are more likely to be persuaded into investment decisions that sound *"too good to be true"*. Global financial regulators are constantly increasing the names on their blacklists of fraudulent investment companies, advisors, regulatory bodies and financial markets.

The Australian Securities and Investments Commission (www.fido.asic.gov.au) lists over 60 pages of fraudulent investment and financial advisory "companies" that operate in Asia and Australia with more added every month to their blacklist. Another blacklist provided on their website contains over 30 fake international regulators and financial exchanges. Investors must beware there are many sharks in financial waters. Cold calling schemes alone cost Australian investors over \$400 AUD million between 1999 and 2002.

Sophistication of Scams

Fraudulent companies and advisors use names that associate themselves with the finance industry. Terms like *so and so Asset Managers, such and such & Partners, The "enter strong name" Group, Global Fund* etc. etc. They can also use names with association to legitimate finance houses or financial hubs for example using *Goldman, Boston* or *Hong Kong* in their name. There are real companies with these names, make sure you are talking to the legitimate one.

Cold Calls, Fancy Paperwork and Great Website

Companies who cold call can be very convincing; however a legitimate financial services company will get the majority of their business through referral and WILL NOT COLD CALL. Not to mention; no one likes being called. Think of it this way when was the last time a lawyer called you out of the blue to see if you needed any legal advice. Another confidence trick is to have all the right brochures, paperwork and website. A legitimate financial product or services provider will have these too; we use them ourselves; however we know they cost nothing to produce and can be made quite easily. As with all documentation the important parts are in the details and they should be read carefully; however the most important thing with investing your own money is establishing trust with the company, the person and product you are dealing with.

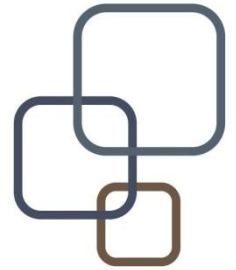


Is there a face, is there a qualification?

When dealing with any professional advisor or company you need a face to go with it. Meeting and getting to know your advisor is important and can take time. A good adviser will be aware of this and also want to invest the time in building a relationship with you the client. Personal financial advice should be just that, and your advisor has a duty of care to know your financial habits, health and tolerance to things such as risk and lifestyle change. Be wary of someone/a company trying

to sell an investment before really knowing your circumstances. They should match an investment to you, not the other way round.

Also of utmost importance is the qualification of the person giving the advice. An easy rule here is to ask them if what they do in Vietnam they would be legally allowed to do in their home country. Many people who operate as “financial advisors” in Vietnam would be arrested if they tried to do the same thing in the UK, Singapore or Australia due to their lack of qualification.



The rule of 72

A simple calculation to understand investment opportunities better. The rule of 72 states that when 72 is divided by any yearly interest rate it will approximate the number of years required to double your money. It also works if you use 70. For example if you earn an interest of 9% a year then $72/9 = 8$ years. So if you invested \$10,000 at 9% return per year and reinvested earnings, it would take approximately 8 years to double your money to \$20,000. Now you can ask yourself does this sound reasonable? If an investment is offering 40% return per year, then $72/40 = 1.8$ years. Ask yourself if this sounds reasonable. There must be risk. If someone is offering this and you think only 1.8 years to double my money it sounds too good to be true, it probably is. We are not saying this is not possible however the golden rule of investing states “the greater the expected return the greater the risk”. Be wary of an investment that promises high returns with little risk. If opportunities like this existed every investor would be rich.

Protect Yourself

- Know your adviser or financial planner and make sure they know your financial goals.
- Ask to speak to previous/current clients who live in the same city. A good advisor or company will have existing clients willing to do so.
- Ask, question, probe your adviser on every query/concern you have. A good adviser will answer the questions directly and should discuss the risks involved. There is no risk free profit in finance.
- Defend yourself from the hard sell – take your time, get things in writing, don’t be pressured to make a decision on the spur of the moment. There are good investments to be made all the time, don’t think if they are offering a “once in a life time opportunity but you must sign now” that there won’t be another one next week.
- Be aware of your own financial goals - do you want to speculate or invest? There is a difference.
- Look for warning signs, cold calls, aggressive sales people, and “investments too good to be true.”
- Check with a regulatory body and/or make sure the individual and the company have the appropriate licenses and qualifications.

For more information on your individual country or location or you need to report a fraudulent individual or company please refer to the below websites:

Australia - www.asic.gov.au or www.fido.asic.gov.au
USA - www.sec.gov or www.finra.org
Canada - www.securities-administrators.ca or www.iiroc.ca
Singapore - www.mas.gov.sg
Hong Kong - www.sfc.hk
China - www.fscey.gov.tw
Vietnam - www.ssc.gov.vn



The three steps for choosing a Financial Professional



1. Do you trust the company?

- Are they licensed?
- Do they have a physical office, where is it located?
- Are they registered in a country with a strong legal/financial system?
- How long have they been established?
- How many employees do they have?

2. Do you trust the individual?

- What qualifications does this person have?
- Where do they live/work? Will they disappear?
- Can you contact them and arrange a meeting in person when you want to?
- Are they answering the questions about fees, risks, expected return that you have?
- Is he/she a financial professional or a salesman?
- What qualifications do they have to give financial advice?

3. Do you trust the investment?

- Is this the right investment for me? Does it suit my individual requirements?
- Where is the money going to be invested? Which country, legal jurisdiction?
- Is the expected return and risk reasonable?
- What are the fees involved?

This document was produced by Total Wealth Management Pte Ltd. We are an independent investment and financial planning firm focused on the needs of the global expatriate community. Our staff are highly experienced professionals with qualifications from UK, Australia, Japan, Singapore and USA.

If you are being cold called or contacted with investment products or have been a victim in the past and need independent professional advice we can be contacted at the below locations.

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