



# How to Protect Yourself From “Get Rich Quick” Schemes

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How do you differentiate between a legitimate money making idea and a “get rich scheme”? There are indicators that you can use to help you do some homework. You will need to be a detective on this one as there are no short cuts.

### Helpful Methods of Investigation

There are four ways I have found of differentiating sales rhetoric from the real deal. The first way is to thoroughly research details of the offer for consistency. The second method is through examining the psychology of how an idea is pitched to you. The third way involves tried and true “laws of finance” that rarely get broken and if the sales pitch breaks one of these laws, it is a sign that you are likely being reamed. The last method is using your instinct or gut feel. If the sales pitch is well put together but something smells wrong, it is likely a signal to get out while you can. The first three methods may allow you to confirm what the rotten smell is, but sometimes you need to say no on faith before finding this out. A powerful check and balance is to use all of the methods together.

### Imperfect Methods of Investigation

There are also three methods that I found may not work unless the scheme is old, brazen or preying specifically on the ignorant. One of these methods is checking if people are licensed. A license is merely access to a market or product – it does not mean that integrity is guaranteed. Even if ethics is emphasized to get the license, it is very difficult to enforce. There is a minimum level of compliance that is ensured with a license, but it is not full protection. A secondary method is checking reviews or associations like those for accountants, lawyers and the like. These groups serve a purpose, but they may be skewed or late in finding out if misleading activity is going on. There are instances when people have been disbarred from an association which is a red flag, but this only happens after a lengthy investigation and conviction. In the meantime, criminal activity may continue. A third way that may not work is measuring the scheme by its popularity. Whistle blowers are not popular and neither is the truth. People who question things are usually insulted, persecuted and ridiculed because they are rocking the boat. There are legitimate things that are bought by most people, but the same holds true for scams. If you need examples in the financial world of popular scams, there are plenty: Bre-X, Worldcom, Enron, Bernie Madoff and the sub-prime mortgage debacle to name a few. If you trust other people who are buying a product, it may tilt the odds in your favour, but trust and ethics are huge indicators which you must be sure of before you get involved in financial schemes. It is a good idea to read or watch movies produced on the above scams to learn how popularity can obscure the truth. Note

that all of these fiascos were done by insiders who are licensed and members of their associations in good standing until the scams were revealed.

#### Research details for consistency

Admittedly, most people do not know how to do this, otherwise they would be able to handle finances themselves and not listen to get rich quick ideas. There are exceptions to this rule for people who don't have time, don't want to piece components together or want to buy the dream of not working hard, allowing money to manage itself or somehow finding a silver bullet for their financial needs.

#### Collect the Facts

When you are given a sales pitch, write down the key references, numbers, statistics or concepts that they are selling you. Double check them at home versus third party sources for those same details. If you notice that numbers are not matching, find out why. Many schemes manipulate numbers to market an idea. Contrary to what people think, numbers can lie depending on how they are presented. This can be done by changing relevant time periods, how numbers are calculated, or which numbers are presented (averages, totals, sums, percentages, etc.) Marketers tend to use averages that are well-known, but they may not apply to you! There are also a number of conditions that could change the numbers – the famous “it depends” idea. Know which assumptions are being used and whether you can understand how they got their numbers. If you are not given time to check anything, this is a red flag. You will likely have to do this checking at home without the pressure of the sales pitch looming over you.

#### Legitimizing Their Idea

Schemers want to make themselves legitimate by quoting successful investors. Do the research on whether these successful investors actually would buy this product. In a lot of cases, these quotations are taken out of context, and the conditions and what-if scenarios the successful investor was talking about are not revealed. Remember that you cannot do what a billionaire can do. You don't have the connections or clout to obtain first-hand knowledge of an idea. This concept makes a big difference and should not be ignored. You will likely not get the same deals and returns as this investor for this reason.

#### Follow the Money

Beware of ideas where you are using “other people's money” There is a cost to doing this. Borrowing money comes with interest and must be paid back relatively quickly to be profitable. If the investment you are putting money into does not work, you will have to return the borrowed money or take a loss and pay money you do not have back to someone. If it is a multi-level marketing idea and you are getting referrals, your reputation is at stake. Should the scheme implode, you will be blamed. You would have to follow the money to see if the whole cycle of money flow actually is profitable.

#### Popularity

Scam artists tend to utilize investment ideas that are “hot” or popular because they have good track records. Most successful investors actually buy when nobody wants a given investment because it is cheap or has issues. Warren Buffett is a known contrarian as an example. If what they are proposing is hot like flipping real estate, day trading, options on technology companies, small mining shares in Indonesia, leveraged US home purchasing etc., you need to find out the details to see what is really

going on. None of these fads lasted forever, although people made a lot of money over a certain period of time.

### Psychology of the Sales Pitch

You need to ask questions and uncover inconsistencies in what is being told to you. Most of these schemes have some truth and legitimacy to them, but they start preying on people's emotions and extrapolating the truth to distort what you are really getting into. "You don't need to know how it works" is a common mantra but if you want to protect yourself, you have to know how it works!

### Feelings of Lack

The hallmark of a good sales pitch is making you feel ugly, stupid, lazy or defective in some way. This lack of something is communicated repeatedly so these negative emotions dominate your ability to reason. This effect is accomplished by repeating these same negative ideas over and over again until you are essentially "brainwashed".

Many schemes prey on people who are "hungry", "desperate", "ignorant" and who want quick answers. They do not want you to research and find out technical details. The devil is in the details and the truth can be exposed by finding issues in the details.

### Common Complaints

They tend to manipulate common complaints people have such as: "Banks are evil. I hate paying taxes. I am poor. The government is bad, I work hard and all for nothing", as well as how easy life can be: "You can make all kinds of money without work, risk or worry and you don't need to know anything and it will happen quickly and easily." These manipulations are designed to feed on the lack mentality to make you feel like a failure and open your mind to this new idea that is being pitched to you. Another point to keep in mind is that you may hate bank fees or paying taxes, but after the sales pitch is done, you may still be paying taxes and bank fees. You will just feel like it doesn't matter because you have bought this idea and these truths are not in your mind any more. Researching the details will uncover some of the inconsistencies and allow you to see through using these common gripes to manipulate you.

### Truth Mixed With Lies

Every good lie is a truth that has been twisted in some way. Because part of the truth is there, you assume that the rest of it is true. The idea may start out with facts, and then somewhere along the way, you will get diverted into a scam. An example of this is that "this account is tax free" but it depends on many conditions that they do not tell you. There is such a thing as a tax free account, but you need these 3 conditions and it only happens in this situation. If you are going into a deal blind, you may be stuck with issues you did not plan on getting into. The research exposes these half-truths but unless you see through the scam, they will not be evident right away.

### No Time to Think

Good marketers do not give you time to think. They want you to commit quickly before you can do your homework and verify what they are saying. Take the time that you need – salespeople like to close deals right away because the longer it takes, the less likely you would fall for a scam. Salespeople also keep

talking a lot because quiet allows people to take information in and the mind works on processing it. This may lead to questioning the idea so this has to be silenced quickly to keep the scam going. If the presenter wants you to agree to an idea without necessarily giving you time to dispute it or process it, this is another form of coercion. Good marketers will measure the mood of the crowd and if they see skepticism, they will continue feeding this negativity until they see the buy in from people. Pay attention to who is around you and see what you can pick up in terms of emotions.

### Simplicity

The gist of sensible ideas should be explained in 5 minutes or less. If the presenter is droning on about how wonderful this thing is, how successful you will be etc. they are using propaganda to brainwash you into agreement so that you forget to use your discernment. Another thing that will happen is that they will keep repeating nebulous ideas over and over again that charge up your emotions but do not really have any substance in terms of solutions. If you are feeling emotional, it is harder to use reason. This is exactly what marketers want – emotional decisions. Feel with your gut – but let reason have its say as well.

Ask why you have never heard of this before? They may tell you something like “it is secret”, or “people are stupid” or whatever. There is some truth that most people do not take risks, but ask them why. Once more, the details will reveal why nobody has heard of it. It may not be true, or is it a known scam.

Many schemes will hide behind complexity and minimize risks to make it seem like things will never be lost. The excuses given when you ask how it works may sound like “it is too complicated”, “you don’t need to know” or they try to blow you away with jargon and technical terms to intimidate you and make you feel dumb so you do not ask questions any more. You must understand what you are buying otherwise you are open to manipulation. If it is not being explained, this is another red flag.

### The “Laws” of Finance

There are some basic rules of finance that you must remember. If one of these laws is broken, make sure you understand what the reasons are.

- 1) **Buy what you understand.** The first rule to remember is “buy what you understand”. If you are introduced to something and you are not familiar with what it is, seek to find out.
- 2) There is **risk or loss possible in every investment or venture** – knowing what it is can give you a better handle on whether the deal is worthwhile or not. The trick is to be comfortable with the risks and tilt the odds in your favour. Telling people that you can’t lose money is misleading. Yes, you can put money into a bank account and it is relatively safe – but this is not something that scam artists tend to sell you.
- 3) **Taxes are a given.** There are ways of minimizing, deferring and reducing taxes, but if you hear a claim that this investment is tax free for life – start asking questions. Even complicated vehicles like trust accounts or offshore accounts have their risks and should not be ignored. Tax codes are always changing. Today’s scam could be tomorrow’s audit complete with tax penalties if the rules change and you are not aware. You are liable for any changes in your tax situation – not your accountant or the scam artist. Even if the idea is tax free, ask about costs and method of implementation. These costs may be more than the taxes saved, effectively wasting your time and getting you into unnecessary complexity.

- 4) **There is no free lunch.** You may pay later or through different means, but there is always a cost. Knowing what it is upfront is a good idea.
- 5) **Timing is important.** Whatever the scheme is, pay attention to the time at which it is being presented to you and when the evidence was gathered. If this idea is really worth it, you will be able to test it over a long time period and see how it fares in different markets. If the scheme does not make sense over different periods of time, you will understand the weaknesses better.
- 6) **Nothing lasts forever** – you can buy and hold but eventually even this strategy may not work in a huge market disruption.
- 7) **Making money takes time and patience.** People who build empires need to do it over time and they typically fail numerous times before making money. It is not easy or fast. Read books by successful entrepreneurs, traders, business moguls and even CEOs to get an idea what they had to do to make real money.
- 8) **Follow the Money** – keep track of how it flows. Is it borrowed? Is it savings from somewhere else? Is it selling people stuff? Is it based on referrals? Whatever it is, know how the money flows and what impacts it. This is one of the ways to find scams. Ask yourself if you would be successful as a salesperson, landlord, day trader or whatever. If you are skilled at doing these things, you can likely sell anything, trade anything, or refer people for anything - maybe there is a better way to use your skills.
- 9) **Finance is essentially a zero sum game.** There are winners and there are losers. Growth and wealth will appreciate slowly over time and there are new inventions that will create wealth, but these take time and patience and are not “get rich quick” in nature. If you are winning, ask who the losers are. If it is not obvious, it is likely your customers and maybe you when the scheme implodes.

### When Something Smells Wrong

Pay attention to your instinct. If it smells bad but you are not sure why, do not ignore this! You may find out over time but your instinct may save you from a lot of wasted time and effort. Note that your gut is the small voice of instinct that comes quietly and speaks softly to you. It is not the siren call of greed, anger, resentment or other negative emotions that propaganda may make you feel during presentations. Your gut works best when it is quiet and your mind is grounded and calm. It is hard to get proper messages in a crowded sales presentation or noisy fast paced environment. Time to think or feel in this case is the enemy of the scam artist. You will have to create your own time and space to see what you really feel. Sleeping on a decision is also helpful because it forces this quiet time and allows things to enter your mind which would not happen in the spur of the moment.

Using all of the methods as well as any ideas that you have will help you to steer clear of a lot of heartache and keep your hard earned money. There is a difference between being a risk taker and entrepreneur and being taken. The more you learn the difference between these two positions, the more successful you will be.

Contact me, Joe Barbieri by email at [joetheinvestor.today@gmail.com](mailto:joetheinvestor.today@gmail.com), or by telephone at 647-286-8020 for an independent consultation on what your options are. **Note: This site is intended for people who want to learn about the world of investments and how to research for themselves. If you would like to buy or sell investment products, or specific advice on investment products, tax or legal issues, please consult your investment advisor, accountant or legal counsel.**