

SCAM INVESTMENT SCHEMES

What is a Ponzi Scheme?

Named after Charles Ponzi who first made these fraud schemes infamous, they are operated by tricksters and sometimes seemingly legitimate businesses that will invite you to invest in a scheme or business.

The operator promises you unrealistically large returns on your investment in a short period of time. These schemes depend on enticing a steady flow of investors, whose money goes to pay off promises made to earlier investors. Any such scheme will inevitably collapse, as it is impossible to find enough new investors to keep the scheme going.

What is a Pyramid scheme?

A Pyramid scheme is one in which you are required to be an active participant. After an initial entry payment has been made, you would be required to recruit other members before earning a return on the original 'investment'. The more recruits, the greater the return!



What is the difference between a Ponzi and Pyramid scheme?

The major difference between the schemes is that in Ponzi schemes the investor takes no active part, whereas in a pyramid scheme, active involvement is a requirement.

Tips for avoiding Ponzi and Pyramid schemes

1. When choosing a money making opportunity, **do your homework thoroughly.**
2. **Get advice** from registered financial advisers.
3. **Take your time**, you didn't save it overnight.
4. **Be particularly cautious** of 'opportunities' that promise to make you wealthy in a very short period.
5. **Beware of a 'secret formula'** that will only be shared with select investors.

