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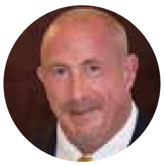
Scams – And How to Avoid Falling for Them



By Gene Balas, CFA®
Investment Strategist

Investment scams raked in more than $4.6 billion—more than any other category – in 2023. That amount represents a 21% increase over 2022. The second highest reported loss amount came from imposter scams, with losses of nearly $2.7 billion reported.

And in 2023, consumers reported losing more money to bank transfers and cryptocurrency than all other methods combined. These data are from the Federal Trade Commission's Consumer Sentinel Network, the tool the FTC uses to track scam reports. (The FTC compiles data on scammers but doesn't prosecute scammers itself; it refers cases to the FBI.)

There are several ways through which scammers meet their victims: email being the most common, followed by phone calls and text messages. Social media – including dating websites – are also popular with scammers. Scams starting on social media accounted for the highest total losses at $1.4 billion. But scams that started by a phone call caused the highest per-person loss ($1,480 average loss).

While the numbers of investment scams and imposter scams don't overlap based on the methodology of the data collection, sometimes investment scams begin as imposter scams. Some victims have lost hundreds of thousands of dollars, and the FTC reports the median (which is lower than the average) loss due to investment scams is $7,768.

How? The newfound "friend" or supposed romantic interest that a victim might encounter on social media or a dating website might seem like a trustworthy person, and the relationship might progress to include discussions of investment topics. Or possibly someone emails, calls, or texts the victim with an enticing investment opportunity, pretending to be a knowledgeable investor or even a trusted professional. Perhaps the scammer boasts of their investment earnings, often in cryptocurrencies or maybe even in stocks or other investments.

Investments in cryptocurrencies, because of their reputation for having delivered high (but very volatile) gains in recent years and because they are not as widely understood as are other investments, are in particular a popular ruse for scammers. A victim may be eager to ask the scammer to show them how they too can earn such amazing "returns".

The scammer often might not ask the victim for money at all. Instead – after fostering a relationship – they suggest that the victim "invest" using an app (including ones that are downloaded from Apple's or Google's app stores) but ones in which the scammer controls the behind-the-scenes operations, not a legitimate investment company.

The victim "invests" money into the app, using the instructions the scammer provides on how to set up the account and where to send money. The app even gives information on how much money was earned or lost, giving the victim the illusion of seeing a "real" portfolio that is increasing in value.
The victim may be inspired by the supposed gains of their investment, and send in even more money.

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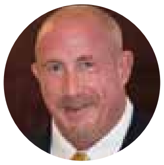
Election Year Uncertainty: How A Biden Or Trump Presidency Could Impact Industries



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As we look ahead, a question many investors may be asking in an election year would be, how would different industries be affected by either a Joe Biden administration or a Donald J. Trump administration, depending on the outcome of the election in November? Each candidate has different views about things such as taxation and regulation of different industries, as well as specific policies aimed at benefiting certain industries in the U.S. economy.

However, before positioning our portfolio based on each presidential candidate's views, we must remember that unless a policy is an executive order (and passes any judicial challenge), Congress must enact the legislation. And we don't yet know what the makeup will be of either the Senate or the House of Representatives after the 2024 elections – and it is Congress that will actually draft legislation, which in turn must pass both houses of Congress and then be signed by the President.

That said, we can consider what each candidate has said on the campaign trail, and what their previous policies have been, considering we have experienced the leadership of both candidates already.

In a second term under President Biden, industries that might benefit from proposed regulations include:

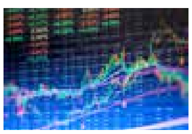
1. Manufacturing: The Biden administration has placed a strong emphasis on revitalizing the American manufacturing sector, particularly in areas such as clean energy, electric vehicles, and high-tech semiconductors. Initiatives like the Inflation Reduction Act and the CHIPS and Science Act aim to bolster domestic production capabilities and have spurred approximately $220 billion in manufacturing construction investments over the last 18 months. This is expected to generate a significant number of manufacturing jobs, although many of these jobs may not materialize immediately. However, industries involved in producing car parts, computer chips, and construction materials stand to benefit from increased investment and subsidies, Politico notes in an article titled, "Biden's manufacturing boom is underway. But the jobs haven't followed yet." by Adam Cancryn on January 19, 2024.

2. Renewable Energy and Clean Tech: Biden's policies are geared towards reducing carbon emissions and promoting green energy. The Inflation Reduction Act includes tax credits intended to stimulate private-sector investment in electric vehicles, batteries, and other clean energy components. Companies in the renewable energy sector, including solar, wind, and electric vehicle manufacturing, are likely to benefit from these incentives, according to Politico.

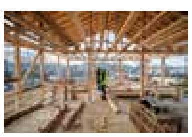
3. Healthcare and Pharmaceuticals: Although specific recent regulations were not detailed, Biden's past initiatives aimed at expanding healthcare access and affordability, such as strengthening the Affordable Care Act, could continue to influence this sector. Policies reducing prescription drug costs and expanding Medicare benefits may impact pharmaceutical and healthcare companies, potentially benefiting industries involved in health insurance and care provision, according to the Brookings Center on Regulation and Markets Regulatory Tracker.

In a second term under President Trump, the benefiting industries could be inferred from his previous term's policies, as recent specific proposals have not been detailed in his campaign thus far:

1. Fossil Fuels and Traditional Energy: Trump's administration was known for deregulatory actions favoring traditional energy sectors, including oil, gas, and coal. Removal of environmental regulations and support for pipeline constructions were hallmarks that, if continued, could benefit these industries again.



2. Financial Services: Trump's previous term saw efforts to roll back parts of the Dodd-Frank Wall Street Reform and Consumer Protection Act. A second term might continue in the direction of reducing regulations on banks and financial institutions, which could benefit the financial sector.



3. Real Estate and Construction: Trump's policies previously aimed at easing regulations to encourage construction and real estate development, including efforts to streamline environmental review processes. A second term could see further benefits for these industries through reduced regulatory hurdles.

The regulatory changes proposed by the Biden administration are noted as being incremental rather than drastic, aiming to improve the existing regulatory framework while still respecting cost-benefit analysis principles. This approach includes modifications to enhance technological advancements in rulemaking, increase engagement with underrepresented communities, and ensure that economic analyses of regulations consider distributive impacts and equity. These changes could affect a broad array of sectors by potentially introducing new regulatory considerations that affect how businesses operate.

In any case, the factors that affect stock prices – whether positive or negative – are in most cases not influenced by the government in our free market economy.

Of course, it is a long way until the November election, and each candidate will likely spell out more detailed proposals between now and then. And the House of Representatives and Senate elections are equally important, given the current razor-thin majority Republicans have in the House, and that legislation is made in Congress, not by the President (aside from executive orders, which can be challenged in court).

Attempts at analyses of historical patterns of whether Democrats or Republicans are better for the markets often don't yield statistically significant results, and there are many factors, like economic and geopolitical conditions, that are more useful barometers for assessing market trends.

Remember that regardless of whether the federal government is red or blue, the economy tends to grow as the population expands and labor force productivity increases (measured as economic output per hour worked), often due to new technologies being implemented. Neither of those factors are usually determined by government policies.

And if we have a divided government, where the Executive branch and one or both chambers of Congress are of differing parties, little legislation being advanced is often the result, which has historically tended to be favorable for stocks.
In any case, the factors that affect stock prices – whether positive or negative – are in most cases not influenced by the government in our free market economy.

In the end, though, what is said on the campaign trail may eventually affect a given basket of stocks, but until then, there is always uncertainty. In other words, be cautious before placing any bets in your portfolio based on what may transpire between now and when any laws are passed. We stand ready to help you navigate this uncertainty. Please reach out to your advisor who is always ready to assist.

"I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise."

Brian D. Holmes,
MS, CFP®, CMFC, AIF®,
President & CEO

ABOUT SIA

Signature Investment Advisors® (SIA) is a Registered Investment Advisor firm offering investment management solutions that are tailored to meet the unique needs of affluent individuals and organizations. In partnership with your wealth manager, we bring our combined experience, expertise and high level of service to provide a dynamic process that can meet your investment objectives and goals.

SCAMS continued from cover...

The account appears to continue to grow in value – until the victim wants to actually withdraw funds. The scammers may then even attempt to inflict one more attempt at fraud by asking for funds to pay a "tax bill" when the victim seeks to withdraw funds from the app. After unsuccessfully being able to withdraw their funds is when the victim realizes they were scammed, and by then, the scammer is long gone – along with what may be a sizeable amount of money.

So how can you avoid being the victim of a scam? By now, many, if not most of us, know to avoid clicking on links without at least some degree of suspicion (and to hover over links to make sure the URL of the website is, in fact, the legitimate one for the site we intend to visit). We also know to recognize emails, texts, or phone calls saying the sender of the message or caller is from the IRS are scams (the IRS contacts people only by U.S. postal mail, and will not ask for money except through designated channels).

And we know that "alerts" saying they are from a credit card company asking us to click a link to check suspicious activity are, themselves, suspicious, as credit card companies will only tell you to visit the website or call the phone number found on the back of the credit card to learn more, not click a link. We also know not to trust any notice asking for our bank account information, such as to collect "winnings" from a sweepstakes or other prize.

But when it comes to encountering people who seek to build our trust, we can be more vulnerable to scams. Humans naturally want to trust other people – especially people who seem like us. Social media, however, is a fertile area for scammers to find information about someone to then use to build rapport with the victim in a subsequent interaction, perhaps saying they are from the same town the victim is from, or who used to work at the same company, or who shares a similar hobby, etc.

A scammer can thus use social media to do their homework on a potential victim before contacting them, perhaps via a phone call, email, or a text message, if not through social media itself. As often said, people should be very careful what they post on social media, including dating sites, but perhaps more important, people should simply remember the degree of information about themselves that is publicly available on the internet, whether in social media channels or from a simple internet search. When a stranger seeks to build rapport with a victim, it is imperative to remember that the pretenses used to establish a relationship could be entirely false.

Overall, while the blanket advice I give my elderly mother, "Trust no one", is perhaps overly strong, we may all benefit from being perhaps just a little bit more suspicious, cautious, or at least thoughtful, in our daily interactions with people. Things are not always as they seem, after all.

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