



# Guard Against Affinity Fraud

*In an affinity fraud, the con artist claims your trust because he or she is a member of the same ethnic, religious, career or community group.*

*“Trust me because I’m like you.”*

Everyone, in some way or another, is connected to a group or association. Our interests, backgrounds and other factors will naturally lead us to those organizations or affiliations that serve our needs. Race, culture and religious beliefs also play a role in identifying us as members of unique groups that we often come to trust — sometimes to our detriment.

Unfamiliar with how our financial markets work, too many people don’t know how to thoroughly research an investment and its salesperson. So, many fall prey to affinity group fraud in which a con artist claims to be a member of the same ethnic, religious, career or community group.

“You can trust me,” says the scamster, “because I’m like you. We share the same background and interests. And I can help you make money.”

Another effective pitch, if the con artist is not a member of the group, is to lull members into a misplaced trust by selling first to a few prominent members, then pitching the scam to the rest by using the names of those previously sold. The effect is the same: Once the connection to the group is understood, the natural skepticism of the

individual member is overcome, and one more group name is added to the sales column. Once a victim realizes that she has been scammed, too often the response is not to notify the authorities but instead to try to solve problems within the group. Swindlers prey on the loyalty angle for all it’s worth.

## How to Avoid Affinity Fraud

- >> Don’t rely on reputations and personal relationships to make investment decisions.
- >> Make sure you thoroughly understand the investment, the level of risk involved and the procedures to get your money out.
- >> Ask for professional advice from a neutral outside expert not in your group.
- >> Ask your state or provincial securities agency for help. Before investing any money, call your local securities agency to learn more about the salesperson and firm.

**For more information, visit [nasaa.org](http://nasaa.org).**