NASD Investor Education Foundation

Investor Fraud Study
Final Report

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Prepared for WISE Senior Services and

the NASD Investor Education Foundation by

The Consumer Fraud Research Group

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Overview of the Grant

In 2004, the NASD Investor Education Foundation (hereafter "Foundation") awarded a research grant to WISE Senior Services in Los Angeles to investigate the issue of consumer fraud that targets older Americans. As part of its mission to "provide investors with high quality, easily accessible information and tools to better understand the markets and the basic principles of financial planning,"[1] the Foundation was interested in exploring how investment fraud among older persons could be prevented by learning more about how it works and how victims of investment fraud might differ from non-victims.

WISE Senior Services has a long history of working in the area of consumer fraud, having created and operated the "Telemarketing Victim Call Center" since 1998. The Telemarketing Victim Call Center (TVCC) was the first call center in the country that specialized in identifying targeted victims of fraud and recruiting volunteer peer counselors (fraud fighters) to call them and deliver prevention messages. The TVCC has been supported by an extensive network of social workers, researchers and law enforcement personnel over the years. The Consumer Fraud Research Group emerged from this early work as a multi-disciplinary research team that focused specifically on expanding the knowledge base in the area of consumer fraud and its prevention. This group, which is responsible for this study, is led by Anthony Pratkanis, a professor of social psychology at the University of California, Santa Cruz; Doug Shadel, State Director for AARP Washington in Seattle; Melodye Kleinman, Executive Director of the National Telemarketing Victim Call Center in Los Angeles; Bridget Small, Director of the Consumer Fraud Prevention Project, AARP Foundation and Karla Pak, Program Coordinator for AARP Washington.

The overall goal of the research was to better understand why older consumers are more frequently victimized by fraud and to develop strategies to reduce the harm it causes in the marketplace. To move in that direction, two primary research questions were pursued:

1. **What kinds of persuasion tactics do con criminals use in investment and lottery scams to defraud consumers?**

2. **How do victims of investment and lottery fraud differ from non-victims of fraud?**

The hope in pursuing these questions is that by identifying specific psychological persuasion tactics used by cons to exploit consumers, educational products can be developed to describe such tactics to potential victims. Further, by better understanding how victims differ from non-victims, it is hoped that a scale might be developed that could measure vulnerability to different types of fraud. Such a scale might ultimately provide friends and family members with an early warning mechanism to enable them to protect their loved ones from investment and lottery scams in the future.

Phases of the Study

In order to answer these two research questions, the grant was divided into three main phases. Phase One looked at how con criminals persuade victims. To conduct this part of the research, the project was provided access to over 600 undercover audiotapes that had previously been given to AARP by 12 different law enforcement agencies (see Appendix One.) The tapes were made by law enforcement agencies after they identified elderly victims of fraud who were receiving numerous phone calls from con criminals. The law enforcement agencies would take over the line and have all the calls coming into that telephone number forwarded to their offices where they answered the calls posing as the older victim. All such calls were recorded. The first phase of this research project then was to do a content analysis of these tapes to identify specific persuasion tactics used by con criminals.

Phase Two of the study was to do in-depth interviews and focus groups of both victims and non-victims of investment and lottery fraud to better understand the differences between the two and to inform how we might go about conducting a telephone survey in Phase Three of the project. The victims were provided by the Telemarketing Victim Call Center through contacts they had with law enforcement agencies. Two focus groups and twenty-one in-depth interviews were conducted in the summer of 2005 (see Appendix Two.) The reason for interviewing both investment fraud victims and lottery fraud victims was that these are two of the most common types of scams that victimize older consumers. Further, past research has shown that fraud victimization is not a unitary concept. There are different victim types for different scams and if one compares only one type of victim (i.e. investment fraud victims) to a non-victim population, there is a risk of drawing conclusions about that particular victim type and erroneously generalizing those conclusions to all fraud victims. By comparing two different types of victims to non-victims, more can be learned about each type.

Phase Three of the study was to conduct an extensive survey of non-victims and victims of investment and lottery fraud in order to determine how they differ and perhaps develop clues for how to prevent future victimization. A total of 150 randomly-selected non-victims were interviewed and 165 victims of investment and lottery fraud were interviewed (see Appendix Three.) What makes this study unique is that the victims who answered the survey were *verified* victims. That is, the research team was able to confirm that each of the victims had lost at least $1,000 and some had lost over $1 million. The verification of victim status makes this research different from studies that rely exclusively on self-reporting. As the findings in this research will show, self-reporting of victim status is wholly unreliable because victims so often either do not realize they were victimized or they were embarrassed about it and refused to admit it in a survey setting.

Executive Summary

NASD Investor Fraud Study

Abstract: A multifaceted inquiry of consumer fraud analyzed undercover tapes of fraud pitches and surveyed victims and non-victims to determine how they differ. Tape analysis revealed con criminals customize their pitch to match the psychological profile of the victim and use a complex combination of influence tactics within each pitch to persuade. Investment fraud victims demonstrated a better understanding of basic financial literacy than non-victims. Both investment and lottery victims were more likely to have experienced a negative life event unrelated to their fraud experience. Both victim types were more likely to listen to sales pitches from unknown sales persons. Investment and lottery fraud victims both dramatically underreport fraud. It is recommended that 1) Financial literacy and fraud prevention efforts be broadened to incorporate greater emphasis on spotting and resisting con criminals' persuasive tactics; 2) Encourage more reporting of illegal activity to law enforcement and 3) Conduct more research to develop a vulnerability index and test the effects of persuasion education as a deterrent to fraud.

Research Questions and Methodology

The NASD Investor Education Foundation Fraud Study sought to better understand why older consumers fall prey to fraud by asking two broad questions: 1) What kinds of persuasion tactics do con criminals use to defraud consumers and 2) How do victims of fraud differ from non-victims of fraud? In order to answer the first question, the study analyzed hundreds of undercover audiotape recordings of real con men pitching investigators posing as victims of fraud. These tapes were transcribed and coded to determine what kinds of tactics were being used. To answer the second question, focus groups of victims and non-victims were conducted and a telephone survey was administered of victims and non-victims. One hundred fifty general population non-victims and 165 investment and lottery fraud victims provided by the National Telemarketing Victim Call Center were called. All individuals were asked a series of questions about financial literacy, life stress, retirement planning, outlook on life, etc. The general population of non-victims was randomly-selected; the victim population was selected from a combination of victim lists that were not random. Significance tests were performed on all relationships and only those where statistical significance was found are presented here.

Major Topline Findings

1. Financial Literacy and Fraud Victims

a. Investment fraud victims score higher on financial literacy tests than non-victims.

A major hypothesis going into the survey was that investment fraud victims do not know as much about investing concepts as non-victims and would therefore score lower on financial literacy questions. In fact, the study found the exact opposite: investment fraud victims scored higher than non-victims on eight financial literacy questions. Additionally, a subgroup of "likely active investors" was created within the larger group of non-victims to determine if the difference in financial literacy scores had to do with the number of active investors in the non-victim group. The investment victims outscored even this subgroup of likely active investors on the financial literacy questions. This finding suggests that financial literacy programs are necessary but probably not sufficient to prevent fraud.

2. Analysis of Fraud Transcripts

a. Investment fraud criminals use a wide array of different influence tactics to defraud the victim.

In analyzing hundreds of full-length transcripts of undercover tapes, over 1,100 separate instances of the use of influence tactics were identified. We define an "influence tactic" as any method used to persuade. The study found that investment fraud pitches, more than any other type of fraud examined, used the highest total number of tactics. The most common tactics were source credibility (claiming to be from a known legitimate business), phantom fixation (dangling the prospect of wealth and riches) and social consensus (showing examples of others who have invested.) Others identified were authority role; commitment; comparison; dependent role; fear; friendship; landscaping; profiling; reciprocity and scarcity. As one research team member put it, reading these detailed transcripts was like "finding the con man's playbook."

b. Fraud pitches are tailored to match the psychological needs of the victim.

Previous research has found that investment and lottery fraud victims have different psychological profiles and that con criminals use different tactics to appeal to those different profiles.[2] The present study supports this proposition. The audiotapes of pitches showed that the con criminal will use one kind of appeal for the lottery fraud victim that may prey on the fact that they are a widow and feel relatively deprived in life and a completely different kind of pitch for the investment fraud victim who is more likely to be male, self-reliant and knowledgeable about finances. This customization of pitches underscores the importance of consumers becoming aware of how their particular psychological characteristics and tendencies are exploited in order to defend against it.

3. Profile of the Investment Fraud Victim

a. Investment victims are demographically quite different than non-victims.

The present study finds that investment victims tend to have a different demographic profile than the general population. Among them are gender (more men than women), living situation (less alone), marital status (more married), educational attainment (more educated), and income (higher levels of income). Significance tests used to compare victims to non-victims confirmed these differences (See Phase Three – Profile of Investment Fraud Victims.)

b. Investment fraud victims are more likely to listen to sales pitches.

The literature on consumer fraud suggests fraud victims may make themselves vulnerable by their willingness to listen to sales pitches.[3] This study affirms that finding. It found investment fraud victims were more likely than non-victims to say they would listen to a pitch from a person on the phone or through the mail whom they did not know. They were also more willing than non-victims to say they would attend a "free" seminar on investing. This increased willingness to listen to unknown callers was further demonstrated by the survey itself when both investment and lottery fraud victims were more willing to answer the survey questions than the non-victims. These findings imply an increased willingness to be exposed to all kinds of sales pitches including fraudulent ones.

c. Investment fraud victims are more likely to rely on their own experience and knowledge when making investment decisions.

Earlier studies found that investment fraud victims tended to have a personality that was very self-reliant and self-deterministic. One study found investor victims had a higher "internal locus of control," meaning they felt their fate in life was all up to them.[4] This study affirms that finding. The investment fraud victims were more inclined to agree with the statement "I rely on my own experience and knowledge to make financial decisions" than the non-victim population. This characteristic may have the effect of isolating victims or causing them to rely on their own judgment when getting advice from others might be more appropriate.

d. Investment fraud victims experience more difficulties from negative life events than non-victims.

Another hypothesis was that fraud victims may have experienced more negative life events such as illness or financial trouble and the stress resulting from those events leaves them vulnerable to being victimized. The study found that investment fraud victims do in fact experience more negative life events than non-victims. This finding supports the proposition that the presence of such life stress might contribute to an individual's vulnerability to being victimized by fraud.

e. Investment fraud victims are more optimistic about the future.

In terms of psychological outlook, investment fraud victims were more optimistic than non-victims by virtue of their tendency to disagree with the statement, "In spite of what people say, the lot of the average person is getting worse, not better." Such optimism does not create vulnerability in and of itself but may contribute to a kind of "wishful thinking" mentality that could be exploited by a skilled con criminal.

f. Investment and lottery victims dramatically under-report fraud.

Previous fraud studies have shown that victims often are not reliable reporters of their own victimization. This study sought to identify ways to get the highest rate of self-reporting by asking the same victimization question several different ways. Since the victims had all lost a minimum of $1,000 and that loss had been verified, anything short of 100% reporting of fraud would constitute under-reporting. The rates of self-identification ranged from a low of 20% to a high of 60% of respondents admitting they had been taken. This research affirms previous findings that surveys asking people to self-report their experiences as victims of fraud are likely to record rates significantly below the actual rates experienced due to under-reporting.[5]

4. Profile of Lottery Victims

a. Lottery victims are demographically quite different than non-victims.

Previous research conducted by AARP found that lottery victims had a particular and unique set of characteristics.[6] Among them were gender (more women than men), age (more over 75 years old), marital status (more widows), living situation (more living alone) and education (fewer with college degrees.) The present study affirmed that lottery victims are older, are less likely to be married, more likely to be living alone, and have less education than non-victims.

b. Lottery fraud victims are more likely to have had more negative life events than non-victims.

When lottery victims were asked to report on negative life events that have happened in their lives, we found that overall they have had significantly more negative events than non-victims. This finding suggests the presence of negative life events may be a contributing factor to one's vulnerability to fraud.

c. Lottery victims are more religious than non-victims.

We found that lottery victims were more likely to say they were "very religious" or "extremely religious" compared to non-victims. It is not clear how this status may specifically impact vulnerability to fraud but it should be considered as vulnerability measures are developed in the future.

d. Lottery Victims are more likely to read materials or listen to sales agents whom they do not know.

Lottery victims were found to be more likely to say they were open to hearing from sales people they did not know about various offers. Question 49 reads "Before you make an investment, do you read materials you receive in the mail or over the phone from sales agents that you may not have previously known?" The lottery victims were more likely to answer "yes" to this question than the non-victims. Such openness to sales pitches suggests a possible increase in exposure to fraud pitches as well.

Conclusion

This study has contributed to the still-early literature on fraud against older persons in a couple of important ways. Findings that show investment fraud victims score higher on traditional financial literacy tests than the non-victim general population suggests that traditional financial literacy education alone will not inoculate investors from being defrauded. Pitches used by investment con criminals employ a wide variety of different psychologically manipulative tactics and those tactics are chosen to customize the pitch to match the psychological profile of the investor. With regard to profiling victim types, this study affirmed and expanded upon previous research that described investment victims and lottery victims as having very specific and different psychological profiles.

This study was produced for WISE Senior Services and the NASD Investor Education Foundation by The Consumer Fraud Research Group: Anthony Pratkanis, PhD; Doug Shadel, EdD; Melodye Kleinman, MPH; Bridget Small, JD, and Karla Pak, MS.

Phase One – Undercover Tape Analysis: Finding the Con Man's Play Book

The first phase of the research involved a detailed content analysis of selected undercover tapes drawn from a total of 650 tapes provided by AARP. We are very grateful to AARP for sharing these tapes with us for purposes of doing this analysis. Appendix One provides a detailed description of the methodology and the results of this analysis. The following narrative will provide an abbreviated version of that summary and some additional analysis of the significance of this part of the research.

Methodology

A total of 128 full-length transcripts were coded and analyzed. These were tapes of con criminals pitching undercover investigators whom they thought were elderly consumers. The transcripts represented the seven most common scam types found in the total database of tapes: Investment Scams, Coin Scams, Recovery Room Scams, Credit Card/Identity Theft Scams, Sweepstakes Scams, Lottery Scams, and Travel Scams.

Findings

With regard to the undercover tapes, three key findings emerged:

1) Con criminals use multiple tactics in each pitch;
2) Con criminals customize their pitch to match different victim profiles;
3) Tactics found in fraud pitches are also found in legitimate sales pitches.

1. Con criminals use multiple tactics in each pitch.

One cannot review these tape transcripts without being struck by both the volume and variety of tactics used in a given pitch. A total of 1,103 influence tactics were coded in the 128 transcripts, an average of 8.6 tactics per transcript. Additionally, thirteen different tactics were identified as commonly used. Below is a list of each tactic and the number of times it showed up in the tapes:

1. **Phantom Fixation** (dangling the prospect of wealth and riches) (248);

2. **Scarcity** (making the product offered seem rare to increase its value) (168);

3. **Source Credibility** (claiming to be from a known legitimate business) (121);

4. **Comparison** (juxtaposing a more expensive price with the offered price) (102);

5. **Friendship** (appearing to be the victim's friend) (99);

6. **Commitment** (victim makes a commitment early on, then con uses it against them) (63);

7. **Social Consensus** (the con makes it seem like everyone is buying his product) (59);

8. **Reciprocity** (the con will do a small favor for the victim which puts pressure on the victim to reciprocate) (56);

9. **Landscaping** (structuring the interaction with the victim in such a way that all roads lead to where the con wants it to go) (53);

10. **Profiling** (identifying the victim's psychological hot buttons through extensive questioning) (52);

11. **Fear** (using fear and intimidation to persuade the victim) (42);

12. **Authority** (the con plays the role of an authority figure in order to put the victim in a role as agent of that authority) (25);

13. **Dependent** (the con plays the role of a young, helpless dependent in order to put the victim in the role of a parent who will help, by buying whatever he is selling) (15).

The effect of multiple tactics is to put the victim in a kind of psychological haze that somehow changes what might otherwise be a normal ability to spot and resist persuasion. Little wonder that victims often say to law enforcement people after the fact, "I don't know what I was thinking" or "it really caught me off guard." The con criminal wants to extract as much money from the person as possible before that haze is lifted. As one con criminal told us in 2001, "My pitch put the victim in a haze of ether…I wanted to sell them as soon and as often as I could before the ether wore off."[7]

Implications

When con men say they want to sell victims soon and often before "the ether wears off," this is a clue about the power of such tactics. The only way to defend against this sophisticated use of complex persuasion tactics is to understand them *before* encountering them. Better to avoid the ether altogether than to have to wait for its effects to lift.

2. Con criminals customize their pitch to match different victim profiles.

Previous research conducted by AARP found that investment and lottery fraud victims have different psychological profiles and that con criminals use different tactics to appeal to those different profiles.[8] The present study supports this proposition. Lottery victims are offered the opportunity to win the lottery in a manner and style of sales pitch that is completely different from how an investment con criminal presents a bogus investment offer. Lottery scams tend to use less profiling and focus almost exclusively on the phantom prize. This is because if the target of the fraud has been selected correctly, they already have a predisposition to respond to the pitch without a lot of other discussion.

Investment fraud pitches on the other hand, typically involve lengthy conversations and profiling. Of all the scam types represented in the tapes, investment fraud pitches used the highest total number of tactics but the fewest number of *different* tactics. The most common tactics in investment fraud pitches were source credibility, phantom fixation and social proof. Also, investment fraud cons seem to involve multiple conversations over time. These multiple conversations contained a lot of dialogue that seemed to be more about the personal life of the victim than about the product. This is a phenomenon we call "profiling" and it is done to allow the con to customize their pitch by better identifying the psychological profile of the victim.

So for instance, if the con has established that the victim is a deeply religious person (our survey in Phase Three found lottery fraud victims were more religious than non-victims overall), they will build that information into their pitch strategy. One con criminal told us he would spend the first 15 minutes of each telephone call praying with one particular victim. Why? Because he had determined in previous conversations, that this person was deeply religious and depended on God for all of her decisions. "She never made a decision on her own. It was always God's choice," he said. So he used that against her. The transcripts were full of examples of con men taking something the victim had said in a previous conversation and using it against him or her.

<u>Implications</u>

This finding suggests the importance of investor's limiting the amount of personal information they offer to sales people over the phone or in person. It is a difficult balance to strike since even legitimate brokers need to know some facts and preferences about their clients in order to better serve them. But in the hands of a criminal con man, personal facts about one's life can be used as a weapon against them.

3. <u>Tactics found in fraud pitches are also found in legitimate sales pitches</u>.

Another striking finding from the tape analysis was that most of the persuasion tactics found in these fraudulent pitches are the same tactics legitimate businesses use everyday in the marketplace. An exercise we give to volunteers being trained as fraud fighters is to learn the persuasion tactics being discussed, such as phantom fixation, social consensus and scarcity, and then go home and watch one of the home shopping type of shows. These home shopping shows are legitimate businesses. But if you look at how they sell their products, virtually all of the major persuasion tactics being used in the fraud transcripts are also being used to sell people on television. And they are being used *simultaneously*.

An example: Let's say a home shopping show is selling a bracelet:

● The bracelet in question is being described by a friendly sales person who is acting like someone you might have over for tea. This is the tactic of creating a **friendly relationship**.

● Then periodically, the friendly person describing the product gets a phone call from someone who just purchased the product and is raving about it. This is the persuasion tactic of **social consensus**.

● On the far left of the television screen, there is a starting price of $200 for the product and a red line through it. Then there is another price of $150, which is the “daily special” price, and there is a red line through that as well. Then there is the current asking price of $99.99, which is the “super special” current asking price. This is the persuasion tactic of **comparison**.

● Then at the bottom of the screen on the right there is a small clock that is counting down: 2:01, 2:00, 1:59, 1:58, 1:57... This is the amount of time that is left for that particular promotion, after which the product will not be available. This is the persuasion tactic of **scarcity**.

● On the lower left of the screen is a digital counter: 354, 355, 356, 357, 358…This is the number of products being sold. This is another example of **social consensus**.

And its not just home shopping programs that use these persuasion tactics. These persuasion tactics are in some ways the foundation of modern marketing and advertising.

<u>Implications</u>

Fraud fighter volunteers who have been trained to identify these tactics describe how once they have learned to identify them, they see them everywhere in the marketplace. Increasing one’s understanding of persuasion tactics is not a guarantee for avoiding fraud, but it does improve one’s ability to spot their effects and defend against them.

<u>Conclusion</u>

The analysis of the undercover tapes of con criminals pitching victims provides a unique window into the world of fraud that targets older persons. Just as the legitimate business world is moving from mass marketing to mass customization, so too it appears the fraud industry has learned to find out all they can about their customer and then match that customer profile with just the right influence tactic for maximum effect. The use of multiple tactics in a single pitch is also similar to what we find in the legitimate marketplace, making it all the more important that consumers begin to have at least a rudimentary understanding of these tactics in order to defend against them.

Phase Two - Focus Groups of Fraud Victims and Non-Victims

Over the summer of 2005, two focus groups were held: one in Los Angeles and one in Washington D.C. In addition, a total of 21 individual victims and non-victims were interviewed in in-depth interviews (IDIs.) Suzanne Diamond, an experienced market researcher based in Philadelphia, was hired to conduct the focus groups. Appendix Two contains the complete report generated from the focus groups.

A variety of different techniques were utilized to try to elicit differences between victims and non-victims of both lottery and investment fraud. The purpose of the focus groups and IDIs was to generate hypotheses about the differences between non-victims and victims that could later be tested in a full-blown survey questionnaire. During the course of these two focus groups, several hypotheses did emerge which were later tested in Phase Three of the study. Below are a selected number of these hypotheses.

(Special Note: Focus group findings are exploratory and speculative and should not be confused with survey findings contained in Phase Three of this study that have been subjected to intense scrutiny and data analysis.)

Hypothesis 1 - Victims of investment fraud know less about certain concepts relating to investing than non-victims of investment fraud.

This was a hypothesis that we held coming into the focus groups and the focus group and IDI participants said nothing that dissuaded us from this point of view. The non-victims sounded more knowledgeable about investing concepts, seemed to have stronger views about how different investment instruments worked and were more confident when discussing money matters. In contrast, some victims described themselves as "financially clueless." Beyond the findings from these focus groups, there is a widely-held assumption in the financial education community that financial literacy is a key core competency or prerequisite to being financially successful in life.[9] As a consequence of this finding and the importance of assessing financial literacy among these two populations, we developed an eight question financial literacy sub-scale for the survey. The full results can be found in Appendix Three and there is an extensive discussion of the results later in this report under Phase Three – Surveying Victims and Non-Victims.

Hypothesis 2 – Fraud victims experience more difficulty and stress in their lives as a result of negative life events than non-victims.

Numerous victims in the focus groups and IDIs described negative life events that had happened to them in their lives: everything from the death of a spouse to an illness they themselves experienced, to negative events that impacted their finances. This was especially true for lottery victims who seemed to complain consistently about not having enough money and having had a spouse die or a similar event. As a result, we developed a battery of 25 survey questions that addressed all kinds of negative life events in order to test this hypothesis (see Phase Three – Survey of Victims and Non-Victims.)

Hypothesis 3 - <u>Non-victims were more likely to have a retirement plan than investment fraud victims.</u>

This came out in several conversations when the interviewer presented the participants with examples of fraud pitches taken from the tapes. The non-victims, most of whom had a retirement or financial plan, were quick to discard the offers as bogus. In contradistinction to that view, a couple of the victims indicated they would listen to the pitch because they didn't really have any other big ideas for where to put their money.

This finding in the focus groups and IDIs led to the inclusion of several questions on the survey regarding planning for retirement. It turns out that we found no statistically significant difference between victims and non-victims who self-reported having a retirement plan (see Questions 56 and 58 in Appendix Three.)

Hypothesis 4 - <u>Lottery fraud victims tend to face more financial pressure than non-victims and are more likely to have an attitude of "live for today</u>."

In the focus groups and IDIs where participants were read fraudulent lottery offers, the lottery victims tended to say they would listen to the offer more than the non-victims because they needed the money. With regard to the care-free attitude, victims gave the impression that since life is sort of crap shoot, why not live for today. Whereas non-victims who were shown fraud pitches to participate in lotteries were more inclined to say things like "you can't get something for nothing" or "it's a scam." As a result of these findings in the focus groups and IDIs and based on similar findings in previous research, a series of questions were put into the survey that sought to quantify the extent of the differences between victims and non-victims in these areas. In fact, there was a clear finding that lottery victims had less money than non-victims and were more likely to agree with the statement that "Nowadays, a person has to live pretty much for today and let tomorrow take care of itself," (see Appendix Three.)

Hypothesis 5 – <u>Investment fraud victims are resistant to hiring lawyers, accountants and financial planners</u>.

In the focus groups, investment fraud victims said they did not have relationships with attorneys, accountants or financial planners whereas the non-victims sounded more open to hiring such professionals. Consequently, we asked a series of questions in the survey about whom investors consult before making an investment (see Appendix Three, questions 41-51.) Of the eleven questions that were asked along these lines, only three showed a significant difference between non-victims and investment fraud victims. They were question 49: "Before making an investment, do you read materials you receive in the mail or over the phone from sales agents that you may not have previously known," question 50: "Before making an investment, do you go to a free seminar," and question 51: "Before making an investment do you rely on your own experience and knowledge?" (See "Phase Three- Survey of Investment and Lottery Victims" for data analysis of the differences.)

Conclusion

Ultimately, the focus group and IDI work done by Suzanne Diamond and company was enormously helpful in shaping the approach used in the survey instrument in Phase Three of the grant. While not all of the hypotheses were confirmed in the survey, there were many that did get confirmed and even those that had a null result added to the knowledge base for understanding this crime.

Phase Three – Survey of Victims and Non-Victims

We developed a 79 question survey based on the focus group research and extensive review of the literature. It was administered to 150 randomly-selected adults over the age of 45 and 165 verified investment and lottery fraud victims. An annotated version of the questionnaire with complete results and significance tests for selected questions can be found in Appendix Three of this report. In this section, we will focus on three major findings that seem to have the most implications for addressing consumer fraud in the future.

1. **Financial Literacy and Fraud Victims**
2. **Profile of the Investor Victim**
3. **Profile of the Lottery Victim**

1. Financial Literacy and Fraud Victims

How financial literacy relates to investor fraud is a question that seems particularly relevant in 2006. There are thousands of financial literacy programs in the U.S., all offering similar content designed towards a single end: improve American's understanding of finances and financial markets in order to improve their future financial well-being.[10] Everyone from Warren Buffett to Alan Greenspan has championed the cause of improving financial literacy as a key to America's future. It is axiomatic that the more one knows about a subject, the better one's chances are of succeeding at it.

When it came to investigating differences between victims and non-victims of investment fraud, a major hypothesis was that victims of fraud knew less about concepts related to investing than non-victims and consequently would score significantly lower on financial literacy questions than non-victims. The most surprising finding of the entire study was that just the opposite was true: victims outscored non-victims by a statistically significant margin. Investment fraud victims answered 57.75% of the eight questions correctly compared to the non-victims who answered 41.00% of the questions correctly. Lottery fraud victims scored the lowest on the financial literacy questions at 31.53%.

Likely Active Investors

In order to probe more deeply on this question, we constructed a measure than would identify "likely active investors" among the group of non-victims. This was done to determine if the main reason for the surprising result was that the non-victim population had a significant number of individuals who were not active investors. The "Likely Active Investor" (LAI) measure was created by identifying questions in the survey that have been shown to predict active investor status in previous research. Studies by AARP and the Securities Investor Protection Corporation found that income, education and the existence of an individual having a retirement plan were highly predictive of them being active investors.[11] We analyzed survey results for those three questions and added questions about their use of financial planners and stockbrokers. The five questions were as follows:

Q.43 Before you made the investment did you consult a Financial Planner?
Q.46 Before you made the investment did you consult a Stock Broker?
Q.56/58 I have developed a retirement plan that will provide financial resources that go beyond just relying on Social Security.
Q.D6 Education (College degree or higher)
Q.D9 Income (earn more than $75,000/year)

We then identified individuals within the non-victim population who answered affirmatively to at least two of these questions (N=73) and this became the subgroup called “Likely Active Investor.” The scores for this subgroup were then analyzed across the entire survey. For financial literacy, the overall average score for the LAI group was 48.29% correct. While higher than the scores for the non-victim group as a whole (41.00%) the LAI group still scored lower than the investment fraud victim group (57.75%.) Below are the eight financial literacy questions and the scores for the investment fraud victims, all non-victims, likely active investors and lottery victims.

Question 59. The APR (annual percentage rate) is the most important thing to look for when comparing credit card offers. **True.**

Question 60. Over a 40 year period, which do you think gave the highest return? Bonds, stocks, bank savings account, IRA, no answer? **Stocks.**

Question 61. With compound interest, you earn interest on interest in addition to your principle. **True**

Question 62. When an investor diversifies his or her investment, does the risk of losing money decrease, increase or stay the same? **Decrease.**

Question 63. Mutual funds pay a guaranteed rate of return. **False**.

Question 64. A no-load mutual fund involves no sales charges or other fees. **False.**

Question 65. What happens to bond prices when interest rates go up? Do bond prices fall, remain the same or go up? **Fall.**

Question 66. Which do you consider the most important factor in selecting a loan? The overall interest rate or the monthly loan payment? **The overall interest rate.**

	All Non-Victims	LAI Non-Victims	Invest. Victims	Lottery Victims
Q.59	49.33%	38.36%	49.30%	51.06%
Q.60	32.67%	45.21%	57.75%	12.77%
Q.61	60.67%	75.34%	73.24%	59.67%
Q.62	28.67%	38.36%	33.80%	9.57%
Q.63	39.33%	54.79%	73.24%	30.85%
Q.64	21.33%	23.29%	45.07%	37.23%
Q.65	26.67%	35.62%	53.52%	6.38%
Q.66	69.33%	75.34%	76.06%	44.68%
Total	41.00%	48.29%	57.75%	31.53%

An analysis of variance showed significant differences between the groups' mean number of correct answers, (F (3,380) = 19.643, p=.000.) Post-hoc analyses show that investment victims answered significantly more questions correctly than non-victims, (q=-1.3397, p=.000.) Investment victims also scored significantly higher than did likely active investors, (q= .7567, p =.059.) Lottery victims scored significantly lower than the non-victims, (q=.7689, p=.008.)

Implications

There is no question that increased financial literacy can help individuals thrive in the marketplace and that increased understanding of the mechanics of investment and loan vehicles will take on even more importance in the future as more and more Americans are forced to enter the investment markets.[12] The finding here that a random sample of the general population got less than half of the financial literacy questions correct and the investment fraud victims got slightly more than half correct means there is more work to do in general in educating investors on financial literacy.

However, this research also points to a possible limitation that exists in terms of the role increased financial literacy might play in preventing fraud. If the pattern identified had been that non-victims scored higher on financial literacy than victims, there would be some reason to think financial literacy has a possible deterrent effect on fraud. But because the victims in this study actually outscored the non-victims by almost 27 percentage points and the likely active investors by almost 20 percentage points, it raises some questions about the role of such programs in deterring fraud.

Only time and more research will tell us for sure what might be going on here but there are at least three possible explanations:

1. The Knowing-Doing Gap. One is what Stanford Business School professor Jeffrey Pfeffer calls the "knowing-doing gap."[13] Investors may actually have enough knowledge about financial investments to avoid trouble, but for some reason they do not employ that knowledge when it is needed the most.

2. The Expert Snare. Another possibility is that the investment fraud victims who scored the highest on financial literacy tests may actually be vulnerable by virtue of their financial knowledge. In previous work, we have written about an influence tactic called the "Expert Snare" in which the con criminal praises the victim for his or her expertise. Since most people like others to think of them as experts, this puts the victim in the position of not wanting to ask tough, probing questions and be accused of not knowing the answer.[14] This makes the swindle easier for the con criminal.

3. Low Persuasion Literacy. A third possibility, and one we believe may be the most plausible explanation, is that having content knowledge of the nuts and bolts of financial instruments and investing may help one make better investing decisions with legitimate brokers, but it doesn't inoculate them from the persuasion tactics used by con criminals. If this is the case, one clear implication is that financial literacy education should be broadened to include fraud prevention and persuasion education.

2. Profile of the Investment Fraud Victim

Now that we have reviewed how victims and non-victims differ in the area of financial literacy, we will explore what the rest of the data reveals about each type of victim. Below is an analysis of findings relating to investment fraud victims.

a. Investment victims are demographically quite different than non-victims.

The present study finds that investment victims tend to have a different demographic profile than the general population. Among them are gender (more men than women), living situation (less alone), marital status (more married), educational attainment (more educated), and income (higher levels of income). The following table summarizes these differences and provides the values for the significance tests used to compare victims to non-victims. For data with interval variables, ANOVAs were calculated; for data with nominal variables, chi-squares were calculated.

Characteristic	Non-Victim	Invest. Victim	q or χ^2 value	p-value
Gender (% female)	54.00%	35.21%	$\chi^2 = 6.816$	<.01
Living Situation (% live alone)	41.22%	28.17%	$\chi^2 = 11.156$	<.001
Married (% married or living as married)	44.97%	69.01%	$\chi^2 = 3.505$	<.05
Education (% college degree or more)	37.24%	68.57%	q=.6419	<.001
Income (% less than $30K)	43.64%	25.86%	q=.9044	<.01

b. Investment fraud victims are more likely to have had more negative life events than non-victims.

As we mentioned in Phase Two of the report, there was anecdotal evidence from a number of the victims in the focus groups that they had had significant negative life events occur in the recent past that have made life difficult. The hypothesis that was generated from this observation was that victims of investment fraud have had more negative life events occur to them than non-victims. In order to explore this hypothesis, we asked a battery of 25 questions and asked respondents to indicate on a scale of 1 to 7 how difficult each negative life event was for them or if it “did not apply” at all.

Once answered, we set about to determine if investment fraud victims had experienced a significantly greater number of these events compared to non-victims from the general population. Below is a chart summarizing those life events for which a statistically significant difference was found. For each question, the percentage of individuals experiencing the given stressor is given for non-victims and victims. The values were compared using a chi-square test; the chi-square test value, as well as the p-value are also given in the table.

Investment Fraud Victims

Question	Non-Victims	Victims	χ^2 Value	p-value
7. Foreclosure on a mortgage or loan	2.01%	10.00%	6.97	<.01
8. Recent loss of employment	9.33%	22.54%	7.16	<.01
9. Negative change in financial status	23.33%	36.62%	4.14	<.05
12. Problems with the upkeep of your home	28.19%	42.86%	4.64	<.05
19. Problems with transportation or traffic	24.83%	43.66%	7.98	<.01
20. Problems with troublesome neighbors	14.77%	34.29%	10.94	<.001
22. Legal problems	10.74%	21.43%	4.48	<.05
26. Had a serious illness or injury yourself	36.24%	52.11%	4.99	<.05
27. Developed a condition that limits your physical abilities	43.62%	65.67%	8.99	<.01
28. Had a serious illness or injury in the family	30.67%	43.66%	3.56	<.10

Implications

As we move in the direction of trying to develop measures that might predict vulnerability to investment fraud, identifying particular negative life events that investment fraud victims uniquely experience will add to the discussion. Further research needs to be done to determine precisely what if any causal connection may exist between victimization and the presence of these life events.

c. Investment fraud victims are more likely to rely on their own experience and knowledge when making investment decisions.

Earlier studies found that investment fraud victims tended to have a personality that was very self-reliant and self-deterministic.[15] One study found investor victims had a higher "internal locus of control," meaning they felt their fate in life was all up to them. This study affirms that finding. The investment fraud victims were more inclined to agree with the statement "I rely on my own experience and knowledge to make financial decisions" than the non-victim population, (χ^2 (1, 215) = 5.80, p<.025.) Similarly, the investment fraud victims were more likely to agree with the statement than the likely active investors, identified above, (χ^2 (1, 142) = 10.20, p<.01.)

Implications

This characteristic may have the effect of isolating victims or causing them to rely on their own judgment when getting advice from others might be more appropriate.

d. Investment fraud victims are more likely to listen to sales pitches.

The literature on consumer fraud suggests fraud victims may make themselves vulnerable by their willingness to listen to sales pitches.[16] This study affirms that finding. We found that investment fraud victims were more likely than non-victims or likely active investors, to say that they would listen to a pitch over the phone or at a free seminar. When asked if they had read materials they received in the mail or over the phone from sales agents that they did not previously know, victims were more likely than non-victims to say yes, (χ^2 (1, 215) = 3.80, p<.10.) Similarly victims were more likely than likely investors to say yes, (χ^2 (1, 141) = 5.19, p<.025.) When asked if they had attended a free investment seminar, victims were more likely than non-victims to say yes, (χ^2 (1, 214) = 8.01, p<.01.) Victims were also more likely than likely active investors to say yes, (χ^2 (1, 140) = 5.14, p<.025.)

This increased willingness to listen to unknown callers was further demonstrated by the survey itself when both investment and lottery fraud victims were more willing to answer the survey questions than the non-victims. Specifically, 78.1% of the non-victims refused to answer the survey whereas only 50.2% of the investment victims and 58.8% of the lottery victims refused to answer the survey. These findings imply an increased willingness to be exposed to all kinds of sales pitches including fraudulent ones.

Implications

The extent to which con criminals bombard prospective victims with a barrage of complex and sophisticated persuasion tactics as we saw in Phase One of this report, together with the finding that victims tend to be more open to listen to such sales pitches, creates a kind of perfect storm in which the victim has little chance of surviving. These new findings about investors should be built into any programmatic efforts to prevent such exploitation. Investors should be warned that such openness to sales pitches, without some education and training about the effects it can have on decision-making, can leave them highly vulnerable.

e. Investment fraud victims are more optimistic about the future.

In terms of psychological outlook, investment fraud victims were more optimistic than non-victims by virtue of their tendency to disagree with the statement, "Despite what people say, the lot of the average person is getting worse, not better." Analysis of Variance found significant differences between groups, ($F(3,361) = 5.279$, $p=.001$.) Post-hoc analysis revealed that investment victims were significantly more optimistic than non-victims ($q=.5612$, $p=.008$).

Implications

Such optimism does not create vulnerability in and of itself but may contribute to a kind of "wishful thinking" mentality that could be exploited by a skilled con criminal.

f. Investment and lottery victims dramatically under-report fraud.

Previous fraud studies have shown that victims often are not reliable reporters when it comes to being defrauded.[17] This study sought to identify ways to get the highest rate of self-reporting by asking the same victimization question several different ways. Since the victims had all lost a minimum of $1,000 and that loss had been verified, anything short of 100% reporting of fraud would constitute under-reporting. The rates of self-identification ranged from a low of 20% to a high of 60% of respondents admitting they had been taken.

Implications

This research affirms previous findings that surveys that ask people to self-report their experiences as victims of fraud are likely to record rates significantly below the actual rates experienced due to under-reporting.

4. Profile of the Lottery Victim

The following section will describe how the lottery victims in this study differ from the general population of non-victims on a variety of demographic factors and in response to questions on the survey. The hope is that identifying how lottery victims are unique will move us in the direction of being able to develop an index or measure that might predict vulnerability to future victimization.

a. Lottery victims are demographically quite different than non-victims.

Previous research conducted by AARP found that lottery victims had a particular and unique set of characteristics.[18] Among them were gender (more women than men), age (more over 75 years old), marital status (more widows), living situation (more living alone) and education (fewer with college degrees.

The present study affirmed that lottery victims are older, are less likely to be married, more likely to be living alone, and have less education than non-victims.

Characteristic	Non-Victim	Lottery Victim	q or χ^2 value	p-value
Age (% over 75)	27.03%	38.30%	q=.390	<.025
Living Situation (% living alone)	41.22%	56.99%	$\chi^2 = 5.70$	<.025
Married (% married or living as married)	44.97%	30.77%	$\chi^2 = 4.76$	<.05
Education (% college degree or more)	37.24%	23.66%	q=.3552	<.10
Income (% less than $30K)	43.64%	61.84%	q=.9713	<.001

Implications

These differences in and of themselves are less significant than the fact that they together present a replicated demographic profile of the typical lottery victim. The AARP study that found these same characteristics of lottery victims was done in 2002 and looked at a completely different set of 310 lottery victims, yet the same profile emerged. This will be an important finding in trying to develop measures to predict vulnerability in the future.

b. Lottery fraud victims are more likely to have had more negative life events than non-victims.

We did the same analysis with lottery victims that we did with investment fraud victims regarding the existence of negative life events. The findings overall were that lottery victims had a statistically-significant higher number of negative life events compared to the non-victim population. (q=-1.110, p=.000).

When the data for individual negative life events was analyzed, fourteen events emerged as being statistically significant for lottery victims. For each question, the percentage of individuals experiencing the given stressor is given for non-victims and victims. The values were compared using a chi-square test; the chi-square test value, as well as the p-value are also given in the table. Those events are listed as follows:

Lottery Fraud Victims

Question	Non-Victims	Victims	χ^2 Value	p-value
Q6. Income decreased	33.33%	44.09%	2.834	<.10
Q7. Foreclosure on a mortgage or loan	2.01%	6.45%	3.150	<.10
Q9. Negative change in financial status	23.49%	76.19%	20.10	<.001
Q10. Concerns about owing money	34.00%	61.29%	17.32	<.001
Q11. Concerns about money for emergencies	42.28%	60.22%	7.37	<.01
Q12. Problems with the upkeep of your home	28.19%	44.09%	6.42	<.05
Q13. Concerned about money for basic necessities	30.00%	51.61%	11.351	<.001
Q19. Problems with transportation or traffic	24.83%	35.48%	3.160	<.10
Q21. Concerned about being lonely	21.48%	38.71%	8.417	<.01
Q22. Legal Problems	10.74%	26.88%	10.604	<.01
Q23. Minor violations of the law	4.03%	9.68%	3.145	<.10
Q24. Death of a spouse or partner	8.72%	35.48%	26.63	<.001
Q25. Had a serious illness or injury yourself	36.24%	53.19%	6.76	<.01
Q26. Problems with children or grandchildren	18.79%	29.03%	3.419	<.10

Implications

Once again, as we seek to develop measures to predict vulnerability, the fact that the lottery victim pool had significantly different experiences with negative life events will inform how we predict vulnerability in the future.

c. Lottery victims are more religious than non-victims.

We found that lottery victims were more likely to say they were "very religious" or "extremely religious" (56.38%) than non-victims (34.00%). Analysis of variance tests found that lottery victims were significantly more religious than non-victims, (F (3,368) = 4.486, p=.000; q = .4056, p=.035).

Implications

This is just another characteristic difference of lottery victims that needs to be considered. This demographic was tested in the study because anecdotally we had interviewed so many con criminals who said the victim's religiosity was a factor in how they persuaded them to turn over the money.

d. Lottery victims are more likely to read materials or listen to sales agents whom they do not know.

We found that lottery victims are more likely to say they are open to hearing from sales people they do not know about various offers. Question 49 reads "Before you make an investment, do you read materials you receive in the mail or over the phone from sales agents that you may not have previously known? The lottery victims were significantly more likely to answer yes to this question than the non-victims, (χ^2 (1,233) = 2.920, p <.10.)

<u>Implications</u>

This is simply a warning signal that openness to sales pitches from previously unknown sales people might expose the victim to more exploitation.

e. Lottery victims are more likely to have more debt than non-victims.

One of the measures of this is question 37 which asked about use of credit cards: "Which of the following statements best describes your use of credit cards? Lottery victims were more likely to answer "typically pay the minimum each month and revolve the debt," (F (3,378) = 3.346, p=.002; q=.3828, p= .002.)

<u>Implications</u>

This result is a clue about why the lottery victims might have been inclined to believe a caller who told them they had just won the lottery. The existence of financial problems and debt is present throughout the lottery victim's responses in this survey and may be another way to predict vulnerability to fraud.

f. Lottery victims are more likely to feel like they should live for the moment.

The survey asked the question, "Nowadays, a person has to live pretty much for today and let tomorrow take care of itself." We found the lottery victims were significantly more likely than the non-victim population to agree with this statement, (F (3,370) = 8.628, p=.000; q=.7082, p=.000.)

<u>Implications</u>

This question has been used to predict impulsivity or the inability to delay gratification and could explain in part why lottery victims impulsively fall for the lottery pitch.

g. Lottery victims are more likely to feel that they have not gotten what they deserved out of life.

Lottery victims are significantly more likely to agree with the statement, "Looking over your life as a whole, would you say that in general you have gotten less than you deserve," (F (3,354) = 6.537, p=.000; q=.4348, p=.004.)

Implications

A theory we are testing with this question is: what effect does a feeling of relative depravation have on vulnerability to fraud? That is, are those who feel relatively deprived in life more likely to take chances when offered the opportunity to win the grand prize? It is a mentality that says, “Finally, my ship has come in” and they want to believe it so badly after years of just barely getting by, that they will take risks they would not ordinarily take otherwise.

h. Lottery victims were more likely to rely on their own judgment because professionals can’t be trusted.

In previous research, lottery victims were found to be the most distrusting of any victim group.[19] This study affirms that finding. Lottery victims were more likely to agree with the statement, “When making financial decisions, it is best to usually rely on my own judgment because often professionals can’t be trusted,” (F (3,370) = 6.086, p=.000; q=.4879, p=.012.) A question on the survey which also supports this idea was question 51: “Before you made that investment did you rely on your own experience and knowledge?” Lottery victims were more likely to agree with this statement than non-victims, (χ^2 (1,229) = 8.854, p <.01.)

Implications

The implications of victims relying on their own judgment as opposed to that of professionals could be attributed to the fact that these people were all victims who may have relied on professionals in the past and been burned by them. What is of concern is that they may now choose to never rely on any professionals for help because of such experiences, even when there are clearly times when one needs such professionals.

Conclusions

This survey answers some significant questions about the differences between non-victims and victims of investment and lottery fraud. The study also raises additional questions that should be pursued in future research. One of the significant areas of research has to do with the differences that may exist between victims and non-victims when it comes to identifying and resisting persuasion.

In several early drafts of the present study, there were a series of cognitive response questions designed to test how responsive victims and non-victims were to various persuasion tactics. These questions were cut from the survey due to survey length constraints. Below are draft questions that were cut but ultimately should be included in future surveys to begin to understand how these populations react to fraud pitches. These were adapted from actual pitches found in the undercover tape database analyzed in Phase One. The difference between level one and level two is level one simply makes the initial offer whereas level two asks for personal information as part of the pitch.

Omitted Cognitive Response Questions – NASD Fraud

"I'm going to read you a couple of short presentations offering various products, then I will ask you how you would respond."

Level One Investment Fraud Pitch

This is Steven from American Income Corporation and I have a potentially lucrative investment opportunity for you. Have you ever heard of biodiesel? It is made by American farmers from soy beans and it's the latest rage in alternative fuel sources. It can run in diesel engines with little or no modifications and best of all, it burns clean which means it is friendly to the environment. We have confidential information about a company named BioFuel Inc. that is gearing up to produce biodiesel and whoever invests now will make 15 to 20 times their investment back. Can I send you information on it?

If you received a call like this would you be:

a. Very interested in investing
b. Somewhat interested in investing
c. Not very interested in investing
d. Not at all interested in investing

Level Two Investment

This is Steven from American Income Corporation and I have a potentially lucrative investment opportunity for you. Have you ever heard of biodiesel? It is made by American farmers from soy beans and it's the latest rage in alternative fuel sources. We have confidential information about a company named BioFuel Inc. that is gearing up to produce biodiesel and whoever invests now will make 15 to 20 times their investment back.

Now I have a packet of information that I willing to send you about this offer at absolutely no charge. But in order to ensure that you are serious about this, I will need to get some information from you. I will need to know a couple of quick facts about your investment portfolio and write down your date of birth and Social Security number to verify your identity.

If you received a call like this would you be:

d. Very interested in investing
e. Somewhat interested in investing
f. Not very interested in investing
d. Not at all interested in investing

Final Recommendations

1) **Teach Persuasion and Social Influence.**

A key deterrent to investor and lottery fraud might be awareness of how con criminals persuade. We recommend expanding financial literacy and fraud prevention efforts to include information about how persuasion tactics work. Teaching investors only the nuts and bolts of investing and not how persuasion works would be like teaching poker players the difference between a full-house and three-of-a-kind and nothing about the role of bluffing.

2) **Encourage Reporting of the Crime**.

It is also important that prevention efforts include strong encouragement for victims to come forward and report fraud to law enforcement. This crime may very well have the lowest self-reporting rates of any because victims are often embarrassed or ashamed to admit they have been taken. The consequence of low reporting is reduced law enforcement efforts to stop it.

3) **Victim and Prevention Research**.

More research should be done to:

a) Develop a vulnerability index or measure for particular victim typologies that might predict future victimization. This work will be especially important to protect lottery and other chronic victims who are at risk of being victimized repeatedly over time.

b) Test the efficacy of persuasion education as a deterrent to falling for investment fraud schemes. Future studies should again identify victims and non-victims, continue to ask financial literacy types of questions but add the component of cognitive response questions that test resistance or compliance with persuasion. One hypothesis that needs testing is this: "a key difference between victims and non-victims of investment fraud is non-victims have a higher awareness of and resistance to persuasion tactics than victims."

c) Study resistance to persuasion in the context of "free seminar" settings where multiple persuasion techniques are used. The fact that victims of investment fraud in this survey were significantly more open to attending free seminars on investing leads to the question of why some investors can attend such free seminars and not be victimized and others are unable to resist and fall prey. Social psychologists often say that the most powerful force acting on human beings is the "power of the situation." Free investment seminars offer promoters, both legitimate and illegitimate, a golden opportunity to set up a situation where all roads lead to the same result. Studying such environments and better understanding why some resist it and others don't could lead to significant breakthroughs in our understanding of why fraud continues to thrive in America and around the world.

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[1] NASD, 2006
[2] AARP, 2003b
[3] AARP, 2003a
[4] AARP, 2003b
[5] Ibid.
[6] Ibid.
[7] AARP, 2000
[8] AARP, 2003b
[9] Bucks, 2006
[10] Vitt, 2000
[11] Opinion Research Corp., 2000
[12] Bucks, 2006
[13] Pfeiffer, 2000
[14] Pratkanis & Shadel, 2005
[15] AARP, 2003b
[16] AARP, 2003a
[17] AARP, 2003b
[18] Ibid.
[19] Ibid.

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