

# Managing Money

## Avoiding Scams & Ripoffs



Chances are that at some point in your life, you will come into contact with a scam of some sort. When the moment arises, are you going to be a **SUCKER?** Well, to make sure you aren't read further...

### How to recognise a SCAM:

- Scam operators try very hard to appear successful, confident and professional. They will probably be very well dressed and may have impressive offices. If you are contacted by mail, they might have a classy sounding address, but the truth is it could be a 'serviced office' or mail box. Investigate the real nature of a company before parting with your cash.
- A scam operator will try to sell you a poorly explained idea, or product. Don't believe what someone says simply because you don't know a lot about something. There is a wide variety of financial products available and it can be hard to know about all of them. If you are unsure about anything, speak to a licensed financial adviser
- Scam operators prey on your insecurities, greed, or fear. They'll probably make you feel out of your depth and overawed. Don't make financially based decisions on your gut instinct. And don't do it just because you're too embarrassed or whimpy to get out of it.
- Scam operators will take an interest in your personal life. They'll be your best buddy until they get your money. They'll ring you up to see how your business operation is going, and they'll be really encouraging. You may feel like you're being pressured. You probably are! If you're feeling uncomfortable then you need to tell these people flat out, that you aren't interested and you want them to go away. If you can't get answers to your questions in a clear and easy to understand manner, get out of there!
- With every financial investment there is risk involved. Be wary of salespeople that don't mention any negatives, or play down risks. Be honest with yourself. If you are feeling uncomfortable with the risk, don't invest.

### How to Protect Yourself Against Scams – The DON'T BE A SUCKER BIBLE:

- Ask for the name of the person you are speaking to, and the company they represent.
- Take notes during your conversation, paying special attention to dates, times, names and any details about the operation.
- If you don't understand something, ask. If they try and dodge around your questions and don't give straight answers, alarm bells should start ringing.
- Read any contracts or documentation carefully and seek professional help – accountant or solicitor – if a lot of cash, time or responsibility is involved.
- Check up on the company and contact the Australian Securities and Investments Commission (ASIC).
- **IF IT SOUNDS TOO GOOD TO BE TRUE IT PROBABLY IS!**
- Investigate any claims made by a sales person, investment adviser, or advertisement.

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- Make sure the company complies with the applicable State and Commonwealth laws. In Australia all companies are registered with the Australian Securities and Investments Commission.
- Try to only do business with companies you know and trust.
- Understand all the terms and conditions before you sign any contracts.
- Don't be pressured into making a decision in front of the person. Take time out to think on your own.
- Don't give anyone your credit card number or other personal information until you have checked the legitimacy of the company.
- Don't judge a book by its cover. Just because they look professional and have promotional material, or a great website, doesn't mean they are a legal and trustworthy business.
- Don't fall for high-pressure sales tactics. Don't let them push you around and make you feel that your doubts are childish or naive.
- Report fraud to the appropriate authorities. Don't hide from it. Just do it!
- Ask them any questions you have and try not to be intimidated.

### DIFFERENT KINDS OF SCAMS

#### Internet Scams

Scams have now filtered onto the Internet. A clever website may look like the real thing, but the claims can be false. Treat unsolicited emails the same way you would junk mail.

Here's an extract from an email publishing distribution scam that surfaced recently on the Internet:

*"Would you like to reap \$700 a week... \$2 800 a month just by mailing our business circulars from your home? You can make this kind of money without even giving up your present job. We have created the most risk-free way to do this, and all you have to do is mail out our business circulars and get paid for your work. This exciting new home employment opportunity is so effective – yet so quick and easy that your success is absolutely GUARANTEED!"*

The World Wide Web will probably never be totally scam free. So be careful.

#### Avoiding Internet Scams – **Don't be a SUCKER check points:**

- Remember in cyberspace people are not always how they seem. You have probably experienced this yourself in chat rooms.
- Don't give your personal details, credit card numbers, or bank account numbers to anyone you don't know or haven't checked out.
- Just because a site looks impressive, doesn't mean the company is, or even really exists.

#### 0055 / 1900 Telephone Number Scams



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You may receive a message in the post offering you some free service or product. All you have to do is 'ring this number for further information'. If you are calling because you think you are getting a credit card, all you might hear is a list of banks where you can apply for one.

Basically, people try to get you to ring these 0055/1900 numbers so you can spend a lot of money listening to a lot of bollocks. The longer you spend listening to some recorded message, the higher the call charge.

### Avoid Telephone Scams – Don't be a SUCKER check points:

- 0055/1900 numbers are charged by the minute, usually at a cost higher than that of STD calls.
- Make sure you know how much you will be charged before you dial a 0055/1900 number.
- Be wary if after you've dialed a 0055/1900 number, a message tells you to ring another one.
- Trust your common sense and check up on any companies which may be a scam.

### Employment Scams

Employment scams increase when unemployment is high. They prey on the young, school leavers, or people from non-english speaking backgrounds.

Some schemes are no more than a gateway into door-to-door selling pyramid schemes, or some other scam. Some end up being simply a front for a training course.

### Avoiding Employment Scams – Don't be a SUCKER check points:

- Read all job advertisements carefully, and ring up the employer to find out as much as you can about working conditions, salary etc. If the response is vague, it's not a real job opportunity.
- You shouldn't have to pay to get a job. Avoid advertisements that mention anything about a 'job starter kit' or 'training materials' that you have to fork out for.

### Dodgy Home Employment Opportunities

#### *"Active Home Workers*

*Earn up to \$500 a week at home addressing and mailing envelopes. EASY MONEY!! It works for me, so why not you?? Be quick! Act now, not later. Send your self-addressed envelope to Bonanza Bucks, PO Box 123, Happy Avenue, Paradise."*

Sound familiar? Often this type of advertisement is just a front for phony get rich quick scheme. If you reply to the ad, you'll be asked to send some money. This is what all of these schemes have in common. This may be a 'registration fee', or money for fabric, or other material to make goods, such as baby clothes or Christmas wreaths. Once you've paid, you'll receive a 'plan'. The 'plan' tells you to place a similar ad, photocopy the plan and mail it to other **SUCKERS**.

The promoter may offer to buy back the goods you made, but they won't. They'll say it isn't of high enough quality, or some other excuse. So, you'll be left to sell the goods yourself, if you can.

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### Uninvited offers, 'prizes' and lottery scams

Some schemes offer you a chance to win big, if you just send an 'administration fee', or 'registration fee' to be in it. Or you may get sent free 'winning tickets', or invitations. Most of the time there is no prize or money. Or, if you do receive a prize it's not exactly what you expected. For example: instead of a new sports car, you get an old shopping trolley with flames painted down the sides.

In Australia there are laws against conduct which is false, misleading or deceptive: or

- Offering gifts or prizes with the intention of not providing them, or not providing them as offered: or
- Stating a price for an entry in a lottery, which is not the full cash price.

Penalties include fines of up to \$200,000 for a company, or \$40,000 for individuals

### Avoid Lottery Scams – Don't be a SUCKER check points:

- Realise that people don't usually win lotteries without having first entered them, and no one should have to pay money to receive their prize.
- Remember that once you have entered personal details about yourself to a 'foreign lottery' they might place your name on a list for similar scams.
- Check up on the lottery before you enter. You can check with promoters of the lottery in Australia, to see if the company is legitimate.
- Remember that if you are asked to ring a 1900 number, this call is not free and may be another scam - see 0055/1900 telephone number scams.
- Don't give out your credit card details unless you are sure the lottery is legitimate.

### Pyramid Selling Schemes

Some examples of pyramid schemes are chain letters, mailing lists and moneymaking clubs. You may come into contact with one through email, letters, at 'investment seminars', friends and family.

Usually you are asked to pay to join in the pyramid scheme. The way to make money is to get others to join.

### Door-to-Door Scammers

Be wary of door-to-door trades people offering house repairs for an unusually low price and asking you to pay it in advance. The reason the price is so low is because they either don't do the job at all, or the work is substandard.

### Conditions that Protect You

If the goods cost more than \$50 then these conditions apply:

- A 10 day cooling off period applies. This means you can back out of the deal within 10 days of the agreement. No matter what you signed or said.
- The agreement must be recorded as a written contract, or is not valid.

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- The trader must sign the contract before you do.
- You must get a copy of specific forms which explain your right to 'cool off' as well as the form to use if you decide to change your mind.
- The trader can't take any payment or even part payment until after the 10-day cooling off period.
- The trader can't install any products in your home until after the cooling off period.

### Door-to-Door Scammers

Ever received something in the mail that you didn't order? It might be a ball point pen, or a pack of specially painted Christmas cards from a charity organisation. With the gift they also send you an invoice. They may even send a reminder notice and make you feel guilty.

This is called inertia selling, although not illegal, it is a high-pressured way of selling goods that can be a real pain.

There are a couple of things you can do:

– Write a letter back to the company letting them know you don't want the goods and where they can come and collect them. If the seller doesn't collect them within a month, the goods are officially yours. It's a good idea to keep a copy of your letter just in case they do rock up later expecting the goods back.

– Do nothing. If the seller doesn't come and collect the goods within 3 months, the goods are yours.

In both cases, you do have a responsibility to keep the goods in respectable condition, in case they are collected. After the waiting period, you can do what ever you like with them.

Be aware of people selling goods over the phone that want immediate payment. Some sellers will take your money but never deliver the goods. Legitimate individuals and companies also sell goods over the phone, but usually they don't use such high-powered selling techniques as the scammers do.

### Got any Questions?? Here's Who to Contact

#### Consumer Affairs / Fair Trading Office:

South Australia – Ph: 08 8204 9777    [www.ocba.sa.gov.au/scams/htm](http://www.ocba.sa.gov.au/scams/htm)