

IS SOMEONE TRYING TO **STEAL** YOUR RETIREMENT?



Bernie Madoff stole \$65 billion from investors running a Ponzi scheme before the whole thing collapsed like a house of cards in a windstorm. Sixty-five billion dollars. And right now, there's a good chance someone in our community is running a similar con — maybe on a smaller scale, but with the same potentially devastating consequences for the families who get caught up in it.

SO, WHAT EXACTLY IS A PONZI SCHEME?

A Ponzi scheme is a fraud that pays its early investors using money collected from new investors, not from any actual investment returns. There are no investments being bought or sold. There's just a con artist in the middle, taking money in from new victims and using it to pay the people who got in earlier, all while skimming a healthy cut for himself. It works as long as new money keeps flowing in. The moment it stops — or enough people try to withdraw at once — the whole thing collapses, and the people left holding the bag lose nearly everything. Charles Ponzi ran the original version of this scam back in the 1920s, which is how it got its name. A hundred years later, the mechanics haven't changed one bit. Only the technology has gotten more sophisticated.

After four decades in the financial planning business, I've seen a lot of things. And when something smells funny, it usually is. This is a plain-English guide to the warning signs that the "investment opportunity" someone just pitched you might be a Ponzi scheme.

IT SOUNDS TOO GOOD TO BE TRUE — BECAUSE IT IS

Let's start with the most obvious one. If someone is promising you double-digit returns with virtually no risk, stop right there. In the real world of investing, return and risk are joined at the hip. You don't get one without the other. When someone tells you they can consistently deliver 20%, 25%, or more in all kinds of market conditions, that's not sophisticated investing — that's a fairy tale. And fairy tales don't pay your electric bill in retirement.

THE RED FLAGS OF A PONZI SCHEME

IT GOES UP WHEN THE MARKET GOES DOWN

This one is a classic Ponzi tell. The pitch usually sounds something like, "Our strategy made money during the 2008 crash, during COVID, during every downturn." Real investments that are truly uncorrelated to the market do exist, but they're rare, boring, and don't produce spectacular results. When someone claims their investment consistently profits no matter what the broader market does, it is most likely a fantasy.

THERE'S NO INDEPENDENT, THIRD-PARTY CUSTODIAN

This is the big one that doesn't get enough attention, and it's the safeguard that Madoff's scheme didn't provide. In legitimate investment management, your money is held by an independent custodian — think Schwab, Fidelity, or SEI Private Trust — a large, regulated financial institution that holds your assets separately from the advisor who manages them. The custodian sends you statements directly. The custodian answers to regulators, not to the person pitching you.

In a Ponzi scheme, the person running it is also the person holding your money and creating your statements. There's no independent set of eyes. No checks and balances. Just a slick-looking piece of paper with impressive-looking numbers that someone probably pulled from thin air. If your "investment manager" is also acting as his own custodian, run — don't walk — to the nearest exit.

"DON'T TELL YOUR FINANCIAL ADVISOR ABOUT THIS"

I can't tell you how many times I've heard this one from people who come to me after they've lost money. The promoter told them to keep it quiet. They say things like: "Your financial advisor won't understand this strategy." "They'll try to talk you out of it because they're jealous." "This is for a select group of people who are in the know."

Let me be blunt: legitimate investment opportunities don't come with a gag order. When someone tells you to keep your investment secret from the professionals in your life — your financial planner, your CPA, your attorney — it's because they know those professionals would see right through it. Secrecy is not a feature. It's a felony in progress.

YOU CAN'T REALLY EXPLAIN HOW IT WORKS

If you've invested in something for six months and you still can't explain to your spouse how it actually makes money, that's a red flag. Legitimate investments can be explained. Stocks go up in value as companies grow. Bonds pay interest. Real estate generates rent. You might not understand every nuance, but the basic concept should be clear.

Ponzi promoters deliberately keep their "strategy" vague and complicated. They use technical-sounding jargon, claim proprietary systems, or say the details are too complex for most people to grasp. That vagueness isn't sophistication — it's a curtain hiding an empty stage.

THE ADVISOR/REPRESENTATIVE IS NOT REGISTERED WITH THE STATE

In Oklahoma, anyone selling securities or acting as an investment adviser is required to be registered with the Oklahoma Department of Securities. Before you hand over a single dollar, pick up the phone and call them: Oklahoma Department of Securities: (405) 280-7700. Ask them to verify that the person or firm you're dealing with is properly registered. This takes five minutes and could save you your entire life savings.

You should also look up the person or firm on FINRA's free BrokerCheck tool at <https://brokercheck.finra.org/>. BrokerCheck gives you instant access to a broker's or advisor's registration status, employment history, and any complaints, disciplinary actions, or regulatory violations on their record. Use BrokerCheck to verify that the person or firm you're dealing with is properly registered. Think of it as a free background check.

Legitimate advisors will encourage you to take these actions to check. Fraudsters will give you ten reasons why you shouldn't.



YOUR FRIEND AT THE GYM WON'T STOP TALKING ABOUT IT

Here's a scenario that should set off alarm bells. You're at the golf course, the gym, or the church potluck, and a friend — not a financial professional, just a regular person — pulls you aside and starts gloating about the incredible returns they're getting on some investment. Their eyes light up. They pull out a statement showing double-digit gains, month after month, rain or shine. Maybe they even pull out their phone and show you a slick, branded app where you can watch the balance tick upward in real time. They practically beg you to get in before it's too late.

What they don't know — and what's heartbreaking — is that every number they're showing you was concocted by the very person running the scheme. The paper statement looks official. The app looks even better — professionally designed, password-protected, always showing gains. But it's all a fiction, built and controlled entirely by the promoter. He can type in any number he wants. The enthusiastic boasting from a trusted friend is the most powerful recruiting tool a Ponzi schemer has. Your friend isn't lying to you — they genuinely believe it's real. That's what makes this one so cruel.

YOU WANT IT TO BE TRUE – AND THAT’S EXACTLY THE PROBLEM

This may be the most important red flag of all, and it's the one that lives entirely inside your own head. Many people who get caught up in Ponzi schemes aren't naive or foolish. They're people who worked hard, saved diligently, and now worry that what they've put away might not be enough. When someone walks in promising 15% or 20% returns with little to no risk, a part of your brain starts doing the math. If this is real, I'm going to be okay. That hope — that genuine, deeply human need for the numbers to work out — can quietly override your better judgment.

You start explaining away the red flags instead of heeding them. You tell yourself the strategy must be more sophisticated than you understand. You avoid asking too many hard questions because you don't want to hear the wrong answer. The desire to believe becomes the enemy of the scrutiny that would protect you. Ponzi schemers are remarkably adept at exploiting this vulnerability. The antidote is simple but not easy: force yourself to ask the hard questions precisely because you want it to be true. The more you need an investment to work, the more carefully you should examine it.

GETTING YOUR MONEY OUT IS SUDDENLY COMPLICATED

At first, when money is flowing in, outflows and redemptions are easy. The schemer said it was easy to get your money out, and it is.^[1]

Then things change. Withdrawing your money becomes mysteriously difficult. There's always a reason: your funds are "in a lock-up period," or withdrawing now would "trigger a penalty," or the timing is "really bad right now, just give it another quarter." In a real Ponzi scheme, early investors are paid with money from new investors. Once the flow of new money slows, the promoter has to stall, delay, and make excuses to avoid paying anyone back. If you ask for your money and the rules suddenly change, stop waiting and start calling regulators.

A FINAL WORD

Ponzi schemes don't just happen on Wall Street to wealthy, sophisticated investors. They happen in our community to good, hardworking people who have saved their whole lives and trusted the wrong person. The promoters are often charming, well-dressed, active in the community, and sit next to you at church on Sunday morning.



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^[1] Please note, that this is different from investments that disclose, up front, it is illiquid and long term. Ponzi schemes rarely, if ever, talk about being illiquid. For example, a pooled equity fund that discloses, up front, something like, while there be a small dividend, from time to time, you're unlikely to get your principal out for 6-7 years.

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