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VIEWPOINT

Don't put your money into 'The Big Lie'

Mark Maddox

If it sounds too good to be true-invest! This perversion of the old adage has cost many investors their life savings. How does it happen? In talking to many investors who've been victimized by outright scams, I've noticed the tendency of some to respond to

what we call "The Big Lie." Most investors seem to keep their guard up pretty high when approached about investing in a scheme that might return 10 percent, 15 percent or even 25 percent in a year. But when offered returns that seem outrageous, like 100 percent in a month, some are all too ready to write the check. Why?

It starts with a lack of basic investment education. Many investors fail to understand the important relationship between risk and reward. Simply stated, the higher the expected return, the higher the risk one must take. Most people don't realize that an investment that purports to return 100 percent in one month is either extremely risky or a red flag for fraud.

Any legitimate investment that could actually return 100 percent in one month could also lose 100 percent in that same month. Most investments in this category turn out to be total scams. We need to do a better job in our school systems educating our future investors about basic economic principles like risk and reward. The uneducated investor is a sitting duck for an adept con artist.

Many investors, especially in Indiana, are too trusting. From a young age, we are taught to trust just about everyone we encounter, including family members, neighbors, doctors, ministers and friends. Most Hoosiers have the attitude that they'll naturally trust you unless you give them a reason not to.

A con artist has the automatic trust of many investors, and can only earn their distrust. It should be the other way around. Don't rush to invest with someone until you've had a chance to thoroughly check out the adviser and the proposed investment.

And it's not just uneducated investors who over-trust their financial advisers. In the case of Ken Payne and his locally based Heartland Financial Inc. scam, which cost investors over \$30 million, his victims included many doctors, lawyers and small-business owners.

How does an otherwise smart professional or business owner get duped by a con artist?

We find that most victims who are professionals or business owners put their clients and customers first. They provide outstanding customer service. They generally practice their vocations with a high degree of integrity. And the big mistake they make is assuming that everyone else conducts business like they do. They naturally transfer their high values to the con artist, who is initially an unknown.

While I applaud the ethical and hardworking professionals, I have to warn you: Not everyone wears the same halo as you. Some are sporting horns. Do not be too trusting of anyone who wants to invest your money, particularly when the promised returns seem excessively high.

Good old American greed also factors into one's willingness to buy into "The Big Lie." From the time we are little, we hear about the American dream. We see many examples of people in our communities striking it big. We are brainwashed into believing that we, too, can hit a grand slam home run in America. Just give us the right opportunity, and we, too, can be Bill Gates or Warren Buffet, trying to decide whom to leave our billions to. And wouldn't it be great for our families if we got the right opportunity? The con artist plays into your programming and offers you a shortcut to your American dream.

Unfortunately, while the scammer hits it big, the investor's dream becomes a nightmare of unimaginable devastation.

Maddox is a former Indiana securities commissioner and is an investor attorney with the Fishers firm of **Maddox Hargett & Caruso PC**.

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