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COVID-19-Related Investment Schemes to Watch For

April 21, 2020 (LINCOLN, NEB.) —The Nebraska Department of Banking and Finance (NDBF) is warning investors to be on the lookout for investment schemes specifically tied to the threat of COVID-19.

NDBF recommends that investors be on the lookout for the following:

- **Private placements and off-market securities.** Scammers will take advantage of concerns with the regulated securities market to promote off-market private deals. These schemes may pose a threat to investors because private securities transactions are not subject to review by federal or state regulators. Investors must investigate before they invest in private offerings and independently verify the facts for themselves.
- **Gold, silver, and other commodities.** Scammers may also take advantage of the decline in the public securities markets by selling fraudulent investments in gold, silver, and other commodities that are not tied to the stock market. These assets may also be attractive because they are often promoted as “safe” or “guaranteed” as hedging against inflation and reducing systematic risks. However, scammers may hide fees and mark-ups, and the illiquidity of the assets may prevent investors from selling the assets for fair market value. The bottom line is there really are no “can’t miss” opportunities.
- **Recovery schemes.** Investors should be wary of buy-low, sell-high recovery schemes. For example, scammers will begin promoting investments tied to oil and gas, encouraging investors to purchase working or direct interests now so they can recognize significant gains after the price of oil recovers. Scammers will also begin selling equity at a discount, promising the value of the investments will significantly increase when the markets strengthen. Investors need to understand the risks associated with any prediction of future performance and recognize that gains in the markets may not correlate with the profitability of their investments.
- **Get-rich-quick schemes.** Scammers will take advantage of the increased unemployment rate. They falsely advertise their ability to quickly earn guaranteed returns that can be used to pay for rent, utilities, or other expenses. They also target retirees and senior citizens, falsely claiming they can quickly and safely recoup any losses to their retirement portfolios. Remember: if it sounds too good to be true, it probably is.

- **Replacement and swap schemes.** Investors should be wary of any unlicensed person encouraging them to liquidate their investments and use the proceeds to invest in more stable, more profitable products. Investors may pay considerable fees when liquidating the investments, and the new products often fail to provide the promised stability or profitability. Advisors may need to be registered before promoting these transactions and legally required to disclose hidden fees, mark-ups, and other costs.
- **Real estate schemes.** Real estate investments may prove appealing because the real estate market has been strong and low interest rates have been increasing the demand for housing. Scammers often promote these schemes as safe and secure, claiming real estate can be sold and the proceeds can be used to cover any losses. However, real estate investments present significant risks, and changes to the economy and the real estate market may decrease the performance of the products.

If it is too good to be true, it probably is. Take the time to investigate any investment pitch and talk with a registered financial professional.

More information about the laws governing the securities industry in Nebraska can be found on NDBF's website at ndbf.nebraska.gov. If you have questions about any investment matter, call NDBF's Consumer Hotline toll free at (877) 471-3445 in Nebraska, or (402) 471-3445 if you are out of state.

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