

Investment Spam is Dangerous

Since the year 2004, there has been a sharp increase in the amount of investment spam we are receiving in our inbox. I personally receive up to 10 emails per day containing offers or lures to invest in various scams. It is estimated that millions of dollars are lost every year by people who have invested money in something they read about in an email. For the purposes of this discussion, we will outline each of the bogus investment opportunities that are circulating the internet so that if you encounter one of them, you will not be tricked into investing. Pyramid schemes are probably the most popular. Typically, you will be asked to invest a certain amount of money, and then you are promised a return when new investors make an equal contribution. Eventually, the pyramid either collapses or the person who initiated the pyramid is able to make a lot of money, but no one else makes anything. A common scam associated with the stock market is referred to as the pump and dump. This is when a small group of investors who hold a large number of shares in a penny stock hype the stock to the general public. The resulting frenzy drives up the price of the stock, at which point the pumpers dump their shares at a high price before the rest of the investors realize that the company is worthless. Sometimes, pump and dumpers will engage in short selling (short selling is perfectly legal; you borrow stock from someone else and immediately sell it, hoping that the price of the stock will go down in the near future so that you can buy it back at a lower price and return it to the lender at a profit). With pump and dump short selling, the borrower instantly sells the stock that was loaned to him and then goes around spreading bad rumors about the company to drive the stock price down so he or she can buy it back at a low price before returning it to the lender. You should ignore any emails you receive that promote offshore investing or prime banks. Promises of huge returns from offshore investments are usually totally disingenuous. Prime banks are the top 50 banks in the world. Solicitors for prime banks will ask for your money so that they can invest it in high yield prime bank financial instruments. However, they will likely invest your money in high risk, speculative investment vehicles that have absolutely no connection to prime banks whatsoever. I hope the information presented here has put you on notice. But, you should not necessarily ignore all of the investment spam in your inbox. You might receive an email containing a stock tip that could turn out to be very remunerative. Just make sure you research the company on your own before you buy the stock so that you can make an informed decision.

About the Author

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