

Sage Advice for Investments

By Hagaon Harav Menachem Mendel Shafran, *shlit"a*

1. If you are told by the investee, "Do not tell this to anyone" or "This is top secret," run from the investment.
2. Any assurance of "guaranteed profits" or "risk free" – is at best imaginary.
3. Assurances of "big returns" are either fantasy or fraud. (Such returns only exist by illicit deals, and for that they do not need you.)
4. Beware! Those who wish to lie usually present the proposal as being in a distant place. (In Birchas Hamazon the guest blesses the host that his property should be close to his home; i.e. proximity is a blessing, and distance is not.)
5. Investments offered in the print media with enticing advertisements or small ads are rated as extremely suspicious and almost certainly a scam.
6. If you discover a contradiction, flaw or coverup in the words of the person presenting the investment, or an expression along the lines that "you don't understand," you can rest assured that he is a swindler.
7. Never invest with a young person who is only in his twenties.
8. Even a well-known businessman who is suddenly offering investments most probably has encountered financial troubles and is taking advantage of his record and reputation.
9. Flee from a person who has a sudden meteoric rise and begins distributing huge sums to charity or starts driving a luxurious car.
10. If even one questionable person is involved in the investment, regardless of what manner, flee from it immediately. Do not think that you will profit along with him in the fraud, embezzlement, or theft, because he will end up stealing from you.
11. Any person who needs to include small investors like you is probably experiencing trouble in his finances.
12. Even if others have already profited from him, this is still "his deal" or his way of entangling others.
13. If there is an error in the text or the English grammar of the contract (even due to carelessness), you do not need any more proof (that it is a scam).
14. There is no investment without documentation. There are no oral agreements in business.

- 15.** No contracts should be signed without your own trusted lawyer's approval. Do not rely on a lawyer that the syndicator suggests. Not all lawyers are experts to know what to check.
- 16.** Do not sign immediately; you must wait a few days, even if the syndicator tells you that the deal will slip away. At least you will remain with your money.
- 17.** Do not invest in a deal that your spouse disapproves of.
- 18.** If your Rabbi disapproves due to some reason, the reason does not have to be understood. The disapproval itself is reason enough to pass on the deal. (The Rabbi is not always at liberty to discuss the true reason for his disapproval. The same is with a professional.)
- 19.** Stockbrokers (who play with or trade stocks) are to be avoided at every level.
- 20.** People with "inside information" on a specific stock are ensnared in false beliefs, because if it is true, why do they need you?
- 21.** Think if this is possible: From your investment, before the money reaches its destination, it goes through the agent and the sub-agent, and only a portion of your dollars end up being included in the actual investment. Consider that after the investment there are commissions, acquisition fees, taxes, management fees, operating costs, expenses, accounting and legal fees. How much of your money was actually invested in order for you to make this large profit that you were promised. Is this possible?