



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

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Investment Tips: Avoiding a pot of fool's gold

Topeka, Kan. – Leprechauns hoard it, pirates pillaged for it, married couples gift it; gold is a precious metal that has been woven into playful tales, triggered world-altering wars, and serves as a gift of loving expression.

When considering precious metals like gold coins as an investment option, it is important to understand if you are investing in the value of the coin's metal or in the value of the coin's artwork. For example, a gold coin with imagery celebrating a major sporting event championship may sell for \$49.99 but the gold in the coin is considerably less. The sale value is in the artwork commemorating the event, not the gold in the coin.

In a recent gold investment scam, thousands of investors were encouraged to move funds from their retirement accounts into self-directed gold IRAs. The true value of these newly established gold IRAs immediately dropped as the coin assets were valued primarily on their purported limited availability and desirability of the coin's design work. Massive fees charged by the company involved in the scam quickly depleted each account's value. This is just one of many types of precious metals scams. The easiest way to avoid these scams is to avoid the scammer. Here are a few warning signs that you may be dealing with an investment scammer:

- 1) Use of an aggressive sales pitch.
- 2) Heavy reliance on celebrity endorsements or affiliations.
- 3) Claims of little or no investment risk.
- 4) High-pressure sales tactics and claiming a "limited time" offer.
- 5) Guaranteed high rates of return.

Avoiding fool's gold does not require a lucky four-leaf clover, it is knowing the signs of fraud and checking credibility. Potential precious metal investors can check a company's registration status, business background, and disciplinary history by contacting the Commodity Futures Trading Commission at **866.366.2382**. If you believe you or a loved one may have been the target of a scammer's investment fraud attempt, contact the Kansas Insurance Department by calling **785.296.5203** or visiting insurance.kansas.gov/securities.

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