

Learn the Secrets:

**How to Protect
Yourself From
Self-Directed IRA**  **Fraud**



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White Paper

Learn How to Protect Yourself Today!



What is Self-Directed IRA Fraud?

Fraud:

A deliberate misrepresentation in order to obtain assets, money, or personal information from your account, usually without your consent or knowledge.

Financial Fraud:

Fraud that involves a transaction to/from a financial account.

Example: consumer loan or credit card account

What Are Indicators of Self-Directed IRA Fraud?

Types of Fraud:

- Fraudulent Emails
- Ponzi Schemes
- Elder Abuse
- Nigerian 419 Scams
- Identity Fraud
- Pyramid Schemes
- Many More!

Fraud Indicators:

- Sense of urgency or immediacy
- Company is relatively unknown or unsearchable
- Requirement to send money before receipt of goods
- All of the pieces **DO NOT** add up
- Little to no information provided regarding the investment
- Asked to provide personal information without verifying the legitimacy of the recipient

Note The Disclaimer

Most custodians/administrators will have some sort of disclaimer (like the example below) on their website or forms indicating that they are not responsible for client's choosing to invest in fraudulent assets. This is usually because the custodian/administrator does not endorse or advise clients on how to spend or invest their money.

Disclaimer:

Next Generation Trust Services ("NGTS") does not review the merits or legitimacy of any investment. NGTS does not endorse or recommend any companies, products, services or investments. NGTS does not provide any financial, legal or investment advice.

If the services of NGTS were recommended by any third party, such persons or entities are not in any way affiliated with NGTS. NGTS is not a "fiduciary" as defined in the IRC, ERISA, and/or any applicable federal, state or local laws. All information provided is for educational purposes only. All parties are encouraged to consult with their professional advisors prior to making any investments.



Please scan the QR Code on the right to visit Next Generation's "Consumer/Investor Awareness Resources" webpage where you'll find helpful tips and hints on how to protect yourself from self-directed IRA fraud.



Important Questions to Ask Yourself Before Investing

Please carefully review the information below before selecting an investment in your self-directed retirement plan. We are proud members of the Retirement Industry Trust Association (RITA), the national trade group for self-directed IRA custodians/administrator. They work closely with federal and state regulators to help prevent fraud. We encourage you to utilize all the information below:

How the Investment is Marketed to You:

1. Does the sponsor/advisor use unprofessional or hard sell tactics in marketing presentations or materials?
2. Does the sponsor/advisor pressure you to make investments quickly (i.e. time is of the essence)?
3. Is the investment marketed through newspaper, internet or other broad based advertising materials?

Always take the time you need to understand and evaluate a potential investment. In addition, while legitimate sponsors or advisors may raise funds through “free lunch” or “free dinner” events, keep in mind that such events may be used as an enticement for you to invest. Legitimate sponsors and advisors may also solicit investors from a certain affiliation group such as ethnicity, religion or age bracket (in particular seniors). Be cautious if a sponsor or advisor uses the affiliation as the reason to make the investment, rather than relying on the underlying merits of the investment or trust in the sales person.

The Investment:

4. Does the investment contain unusually high interest rates or returns (look too good to be true)?
5. Is the investment described as “safe” or “guaranteed”?
6. Is the investment described as “IRA-approved”, “IRS-approved”, “custodian-approved” or “approved by any governmental agency”?
7. Is the investment framed as having any tacit approval from a passive custodian, such as “exclusive provider for custodian x”?
8. Does the investment claim to perform better than industry or market average for no apparent reason?
9. Does the investment claim to use “insider information” approaches?

If you answer yes to any of these, it should raise a **red flag**. The adage says “if it sounds too good to be true, it probably is”. There is inherent risk in any investment. Custodians and the IRS do not “approve” investments. Investments made on insider information may well be illegal. Check these investments thoroughly before proceeding.

Background of the Investment Sponsor/Advisor and Investment Documentation:

10. Are you provided with biographies for the investment sponsor, principals and the advisor?
11. Does the business experience or skills of the sponsor, principals and the advisor align with the investment strategy?
12. Can you verify the credentials of the sponsor, principals and the advisor?
13. Have the sponsor and advisor explained to you how they make money?
14. Does the advisor ask for the purchase check to be made payable to them personally rather than to the firm or investment entity?

Background of the Investment Sponsor/Advisor and Investment Documentation (Continued):

15. Is the investment and/or the investment sponsor in good standing with the Secretary of State in the State of its location and are all/any legal requirements for the sale of such an investment being followed?
16. Have you had the investment documentation (Private Placement Memorandum or “PPM”, subscription documents, periodic statements, etc.) reviewed by your professional legal or tax advisors?
17. Does the investment documentation contain information on how the investment funds will be used?
18. Does the business plan explain how and when the investment will attempt to become profitable and the timeline in which an investor can expect a return on their investment? Does it make sense to you, or is it being sold primarily on its promised returns?
19. Does the investment documentation contain unreasonable capital call provisions (such as if the investor doesn’t respond they lose the original investment)?
20. Does the sales material or presentation of the investment match the nature of the offering documentation you are being asked to sign?
21. If collateral is involved with the investment, are you able to determine that it will be properly secured for your benefit?

Make sure the Investment Sponsor or Advisor promoting the investment has provided you with information sufficient for you to do the research (due diligence) necessary to verify the existence of the investment and the credibility of the individuals involved. If they seem reluctant to provide it or to answer questions thoroughly (seem vague or evasive), that should raise a **red flag**.

“Safe” Investment Checklist

BEFORE you invest:

- _____ Be sure your IRA investment is consistent with your investment goals.
- _____ Understand that any investment outside of an FDIC-insured product is subject to risk including loss of principal.
- _____ Understand that neither your IRA custodian nor any governmental agency endorses or guarantees non-FDIC insured investments.
- _____ Watch out for fraud red flags including, but not limited to: guaranteed investment returns, high pressure sales techniques and too good to be true statements.
- _____ Ask a trusted professional (such as your accountant, lawyer or financial advisor) for a second opinion.
- _____ Be sure to utilize investment tools and information from: Your state securities regulator (NASAA.org), Securities and Exchange Commission (sec.gov), Self-regulatory organization FINRA (finra.org).

AFTER you invest:

- _____ Carefully review each account statement and follow up with questions to the investment sponsor if you do not understand it or something does not make sense or seems suspicious.
- _____ Remember Next Generation Trust Services maintains your account and forwards account information to you as requested but is not responsible for any profits or losses on your investments.

Report any suspicious activity related to your investment to state or federal authorities.

Top 10 Investor Threats of 2012

The North American Securities Administrators Association (NASAA) publishes an annual list of financial products and practices that threaten to trap unwary investors. This year's list has been broken into two parts: new threats and persistent (or old) threats.

New Threats:

1. **Crowdfunding and Internet Offers:** The 2012 JOBS (Jumpstart Our Business Startups) Act makes significant changes to the methods startup businesses and entrepreneurs may employ to bring their ventures to the investing market, and investors must be wary of the attendant risks.
2. **Inappropriate Advice or Practices from Investment Advisors:** Investment advisors are licensed to give specific investment advice and owe their clients a fiduciary duty, unlike brokers that may merely effect suitable securities transactions for their clients. The regulatory environment for investment advisors is shifting, and has led to increased scrutiny from both state regulators and the Securities and Exchange Commission (SEC).
3. **Scam Artists Using Self-Directed IRAs to Mask Fraud:** State securities regulators have investigated numerous cases where a self-directed IRA was used in an attempt to lend credibility to a bogus venture. Fraud promoters pushing a Ponzi scheme or other investment fraud can misrepresent the responsibilities of self-directed IRA custodians to deceive investors into believing that their investments are legitimate or protected against losses. While a scam artist may suggest that self-directed IRA custodians analyze and validate investments, those custodians only hold the assets in a self-directed IRA and generally do not evaluate the quality or legitimacy of any investment.
4. **EB-5 Investment-for-Visa Schemes:** The Immigrant Investor Program, also known as EB-5, is an immigration program linked to job creation that is growing in popularity; investors must beware of promoters who falsely claim that an investment in their venture is safer or guaranteed due to an influx of foreign cash.

Old, Persistent Threats:

1. **Gold and Precious Metals:** Often, scams begin with an unsolicited communication such as an email or telephone call offering to sell investors gold coins, bullion, bars, or other forms of the precious metal that the promoter will hold in safekeeping for the investor. Far too often, the gold simply does not exist. Increases in the value of precious metals during the recession have led unwary consumers to believe that the value will perpetually increase. Like any risky investment, there are no guarantees.
2. **Risky Oil and Gas Drilling Programs:** Unfortunately, energy investments often prove to be a poor substitute for traditional retirement planning. Investments in oil and gas drilling programs typically involve a high degree of risk and are suitable only for investors who can bear the loss of the entirety of their principal. Moreover, some promoters will conceal these risks, using high-pressure sales tactics and deceptive marketing practices to peddle worthless investments in oil wells to the investing public.
3. **Promissory Notes:** Investors must be wary of promises of security and liquidity in these promissory notes, which are very often false or overstated. Investments of this nature are highly speculative and the risk of total loss of the funds invested is high.

Old, Persistent Threats (Continued):

4. **Real Estate Investment Schemes:** While legitimate real estate investments can be an important component of a diversified portfolio, investors should be aware that schemes related to buying, renovating, flipping, or pooling distressed properties also are popular with con artists. In a recent survey of the states, real estate fraud was ranked as the third most common product or practice leading to investigations and enforcement actions.
5. **Regulation D Rule 506 Private Offerings:** In the most recent survey of state securities regulators, fraudulent private placement offerings were ranked as the most common product or scheme leading to investigations and enforcement actions. These offerings also are commonly referred to as Regulation D Rule 506 offerings (the exemption in federal securities laws that allows private placements to be sold to investors without registration). By definition, these are limited investment offerings that are highly illiquid, generally lack transparency, and have little regulatory oversight.
6. **Unlicensed Salesman Giving Liquidation Recommendations:** Insurance agents who are not also licensed securities professionals do not have the training and have not demonstrated the expertise necessary to determine the suitability of liquidating securities products to fund the purchase of an insurance product. A specific license is required before anyone can recommend the purchase or sale of securities. Being licensed as an insurance agent is not a substitute for a securities license. Investors should demand to see proof that a salesperson is licensed to make a recommendation to sell securities before agreeing to any transaction involving securities.

It's important to note that this list is not exhaustive and investors are subject to several other types of fraud out there. This is why it's imperative to do your due diligence before committing to any investment. In addition to knowing the source of the investment, research and fully understand any asset before you invest.

***Please Scan the QR Code:***

Check out Next Generation's webpage on "Consumer and Investor Awareness Resources" for more information on how to protect yourself from self-directed IRA fraud!

About Next Generation Trust Services, LLC



Next Generation Trust Services, LLC, based out of Roseland, New Jersey, specializes in comprehensive account administration and transaction support services for self-directed retirement accounts. Next Generation Trust Services (www.NextGenerationTrust.com) is not a bank, financial planning service, or a brokerage house. The firm serves as the administrator for the assets owned by clients in their self-directed IRAs, which they control themselves as they build wealth through alternative investments allowed in these retirement accounts.

The neutral third-party professionals at Next Generation provide education and guidance about the various aspects and advantages of self-direction as a retirement strategy, and the support needed to maintain these accounts. Next Generation holds the funds, provides administrative assistance, and files and manages all mandatory paperwork pertaining to the transactions for savvy investors who are interested in directing their IRAs and making their own direct investments. For information on self-directed IRAs or to open an account, contact Next Generation at (973) 533-1880, toll-free at (888) 857-8058, or by email at Info@NextGenerationTrust.com.

About Jaime Raskulinecz



Jaime Raskulinecz is the CEO and founder of Next Generation Trust Services in Roseland, New Jersey, which specializes in comprehensive account administration and transaction support services for self-directed retirement accounts. She was inspired to start her own firm in 2004 due to her desire to make real estate investments within her retirement accounts, and being unable to find a company to help her make these transactions. The firm was originally founded as part of a national network of third-party administrators of self-directed retirement plans; Ms. Raskulinecz led the company from start-up to over \$150 million in holdings in just five years. She decided to break away from the national network to start her own truly independent firm and in 2011 the company emerged as Next Generation TS, LLC, an independently owned and operated corporation. Next Generation currently holds close to half a billion dollars (\$500,000,000 USD) in assets.

A long-time real estate investor herself, Ms. Raskulinecz has worked full-time in the real estate industry since 1994 and is a certified property manager (CPM). She is a New Jersey licensed real estate broker and an active member of many national and statewide real estate organizations. She is also the CEO and a principal of Rainbow Property Management, a real estate management firm which is one of only 19 firms in New Jersey to be awarded the prestigious Accredited Management Organization credential from the Institute of Real Estate Management.

A recognized expert in the field of real estate investing within self-directed retirement plans, Ms. Raskulinecz has been interviewed frequently by and has contributed articles to prominent real estate and investment publications. She was recognized by Real Estate New Jersey as one of its 50 Women of Influence for 2008 and 2009, by the New Jersey Association of Women Business Owners (NJAWBO) as one of the 30 Most Successful New Jersey Women Business Owners (2008), and by NJBiz as one of New Jersey's Best 50 Women in Business (2009). She was honored by the Essex chapter of NJAWBO as its 2011 Business Woman of the Year and in the fall of 2011 by Own It Ventures and New Jersey Monthly magazine as a Leading Woman Entrepreneur of the Year.



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