Saskatchewan
Securities
Commission

Avoiding Investment Problems

The Saskatchewan Securities Commission regulates the investment industry in Saskatchewan to protect members of the public who invest in securities and to promote confidence in the marketplace. *The Securities Act* provide for the registration of salespeople to ensure that they are honest and knowledgeable. Although registration is not a guarantee to trustworthiness, it is always a good idea to ask a salesperson for evidence of registration or exemption from registration by the Securities Commission.

The Securities Act also provides for the authorization of documents used to sell securities to attempt to ensure that there is full, true and plain disclosure of the information necessary for members of the public to make informed investment decisions. It is important to note that the Commission does not judge the investment merits of securities so that the authorization of selling documents by the Commission is not an indication that the securities is a "good deal."

The key to avoiding investment problems is to deal with reputable business people, salespeople and securities dealers who are well known in your community. Always get competent help before you buy. Consult your registered stockbroker, lawyer or accountant.

Most of the investment opportunities that come your way will be sound. However, you are well advised to question any deal that sounds "too good to be true." Here are some telltale signs of "shady" deals, along with tips on how to avoid them.

1. Unsolicited telephone calls or mail and unannounced visits to your home are the most common means of victimizing investors. Phone calls from strangers may mean that securities of questionable merit are being distributed. In this type of operation, telephone calls are made to individuals whose names have been acquired from purchased lists. people are encouraged to invest money immediately in a "get rich quick" scheme.

2. Unrealistic promises of great profits and huge returns on your investment (for example, 100% return on your money) are another warning sign. Remember that generally speaking, the greater the rate of return promised, the greater the risk involved.

3. Free gifts and favours such as an inexpensive clock, a dinner or even a trip are sometimes used to coerce potential investors into investing. Unscrupulous salespeople will attempt to create the feeling that you owe them something in return. Don't accept favours or trinkets. A cheap clock could cause enough guilt to precipitate a large investment loss.

4. "Tomorrow will be too late" can be a sign that something is amiss. Resist the temptation to rush into a last-minute deal. Consider if the passage of a few days will really destroy the investment opportunity. Discuss the investment with a professional advisor. Determine if the investment has been authorized for sale in Saskatchewan by contacting the Securities Commission.

5. The "newest invention" has misled many investors. Whether it has to do with solar energy, computer technology, satellite navigation or whatever, the latest technological development isn't always a winner. Unscrupulous sellers often tailor their programs to make them appear like the latest technological trend. Question all promotions with unhurried skepticism.

6. "You don't need it in writing", or do you? Ask for it in writing. Be certain to read over all written material including the prospectus or offering memorandum and any order issued by the Securities commission before investing. The Securities Act requires the salesperson to provide you with these documents. If the investment isn't clear to you or you don't have the time to study it, have a professional advisor look it over and provide an impartial opinion. Beware that even printed material can be false. the use of glossy, sophisticated sales literature is sometimes used to create an illusion of legitimacy.

7. "I got in on the ground floor ahead of everyone", says an acquaintance about a wonderful investment opportunity in which they are participating.

   Remember that in some illegal schemes promoters pay the first investors from subsequent investors' funds to create the "illusion of success." Again, if it sounds too good to be true – beware, it probably is.

   As a general rule of thumb, you should exercise caution in following "tips" from friends or relatives. If you plan to invest, you should take the time to understand the investment yourself.

8. The compromising situation can trap an investor into a poorly thought-out commitment. Avoid taking a free plane ride, a bus trip or a car ride with the salesperson with your chequebook in hand. In such situations you may feel trapped and you may yield to the salesperson's pressure. Always use your own transportation. An investment of any size requires deliberation. Leave your chequebook at home until you have had the opportunity to explore all aspects of the proposed investment.

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