



## Lottery or Sweepstakes Scams

Not all lotteries and sweepstakes are legitimate. Before you participate, keep these tips in mind:

- Scam artists often use the promise of a valuable prize or award to entice consumers to send money, buy overpriced products or services, or contribute to bogus charities.
- Legitimate sweepstakes don't require you to pay to collect your winnings.
- Scam operators use the telephone and direct mail to entice U.S. consumers to buy chances in foreign lotteries. These lottery solicitations violate U.S. law, which prohibits the cross-border sale or purchase of lottery tickets by phone or mail.

Visit the **Federal Trade Commission** website [www.ftc.gov](http://www.ftc.gov) for more information about bogus lotteries and sweepstakes.

## Pyramid Schemes

A pyramid scheme, also known as a Ponzi scheme, is an illegal form of multilevel marketing. With these scams, the ability to earn profits is based on the number of new participants that are recruited, instead of the amount of products or services sold. Sometimes there actually aren't any real products that are being sold. These types of schemes are common with investment and independent direct selling opportunities.

These schemes rely on the income from new participants in order to pay fake "profits" to people that have been part of the scheme for longer amounts of time. However, the scheme falls apart when there aren't enough new recruits to pay into the system, so the earlier participants no longer receive earnings.

### Tips to Avoid Being a Victim.

Take steps to protect yourself from becoming a victim of a pyramid scheme:

- Be wary of "opportunities" to invest your money in franchises or investments that require you to bring in more investors to increase your profit, or recoup your initial investment.
- Be wary if the company sells non-tangible products or technical services, rather than physical items.
- Independently verify the legitimacy of any franchise or investment with the **Better Business Bureau**, the state **Attorney General**, or any licensing agencies.
- Be skeptical of success stories and testimonials of fantastic earnings.

### File a Complaint.

If you are aware of a pyramid scheme or have been the victim of one, file a complaint with your state consumer protection office, the state **Attorney General**, or the **Better Business Bureau (BBB)**. If the pyramid scheme involved securities, you should also file a complaint with your state's securities administrator, or the **Securities and Exchange Commission**.