

INVESTMENT RESEARCH AND SAFETY

Recognizing Investment Fraud and Red Flags

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Fraud response plan
YOUR CHALLENGE Spot warning signs in fictional pitches, protect personal information, verify products and professionals through official sources, and create a safe response plan.			

Pause, Verify, and Protect

A polished website, famous face, group recommendation, or impressive return claim does not prove an investment is legitimate. A safe response is to stop, avoid sending money or information, research independently, and involve a trusted adult when a teen is targeted.

Red flag	Why it matters	Safe response
Guaranteed high return	Every investment involves risk.	Do not rely on the promise; verify independently.
Pressure to act now	Urgency limits research and clear thinking.	Pause and refuse the deadline.
Unsolicited message	The sender and claim may be false.	Do not click links or share information.
Unusual payment request	Gift cards, personal accounts, or foreign wires are major warnings.	Do not pay; preserve the message.
Unverified seller	Credentials and registration may be false.	Use official background-check tools.
IMMEDIATE SAFETY If money or personal information was already sent, stop further contact, tell a trusted adult, contact the financial institution through an official channel, change affected credentials, and report promptly.		

Part 1 - Mark the Red Flags

Fictional message: “Earn a guaranteed 18% in 30 days. Everyone at your school is joining. Only two spots remain for the next two hours. Pay \$500 by gift card or send crypto to my personal wallet. A celebrity proves it works. Do not tell your bank because they will slow you down.”

Pitch detail	Red flag?	Why	Safe response
Guaranteed 18% return			
Everyone is joining			
Two-hour deadline			
Gift card or personal crypto wallet			
Celebrity testimonial			
Instruction to hide it from the bank			

Find at least six warning signs. Which one creates the most immediate risk of losing money?

Part 2 - Test the Return Claim

Claim or scenario	Calculation	What the math shows	What the math cannot prove
\$500 grows 18% in 30 days			
Same 18% repeats monthly for one year			
Investor loses the full \$500			

Calculate only to understand the size of the claim. Do not treat the result as evidence that the return is possible or guaranteed. For the repeated claim, use $\$500 \times 1.18^{12}$.

Part 3 - Compare Safe and Unsafe Verification

Action	Safe, unsafe, or incomplete?	Reason	Better next step
Click the link in the unsolicited message.			
Search an official registration tool independently.			
Trust screenshots of profits.			
Read SEC filings and product documents.			
Send a small payment as a test.			
Ask how the seller is paid and check disciplinary history.			

Explain why a “small test payment” is not a safe way to verify an investment.

Part 4 - Build a Response Sequence

Order	Action	Why it matters	Evidence to save
1			
2			
3			
4			
5			
6			

Use these actions in a safe order: stop contact; tell a trusted adult; preserve messages; contact the bank through an official channel; secure accounts; report to the appropriate authorities.

Part 5 - Fraud Response Plan

Safety check	My action
Red flags identified	
No money or data sent	
Trusted adult involved	
Official registration checked	
Product documents reviewed	
Financial institution contacted if needed	
Credentials secured	
Report and evidence plan	

Write a 150-200 word response to the fictional pitch. Include at least five red flags, the 30-day claim calculation, four safe actions, and a rule about links, payments, or personal information.