



First Quarter 2023

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## Beware of Promissory Note Fraud

The Securities and Exchange Commission (SEC) and North American Securities Administrators Association (NASAA) have named promissory note fraud as one of the greatest threats to investors in 2023.

Promissory notes are a form of debt a company may issue to raise money. Typically, investors agree to loan money to a company for a set period of time and the company promises to pay the investor a fixed return on the loan. While promissory notes can be legitimate investments, those marketed to individual investors are often scams.

Red flags that indicate a promissory note is a scam:

1. The note is offered to individual investors. Legitimate corporate promissory notes tend to be sold privately to sophisticated buyers.
2. No registration. A promissory note is considered a security and as such must be registered.
3. An unlicensed seller. The seller must be properly licensed to sell securities. Insurance agents, for example, can't sell securities – including promissory notes – without a securities license.
4. The note is marketed as “risk free,” “insured,” or “guaranteed returns.” No investment is risk free.
5. The interest rate is too good to be true.

Invest in a fraudulent promissory note, and there is NO way to recover your money. Investing always has risk. “Too good to be true” is rarely ever “true.”

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A handwritten signature in blue ink that reads 'Brian Carruthers'.

Brian R. Carruthers, CFP, CMT

The logo for Brian Carruthers &amp; Associates, featuring the letters 'BCA' in a large, bold, yellow serif font with a blue outline.

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