



INVESTING WISELY ONLINE

HOW TO USE THE INTERNET TO INVEST WISELY AND AVOID COSTLY MISTAKES

Securing Your Information

The Internet serves as a powerful tool for investors. But hackers and identity thieves can wreak havoc on your personal finances unless you take steps to protect the security of your account numbers, passwords, and PINs. And investment opportunities that sound like no-brainers all too often turn out to be frauds.

OnGuard Online suggests these tips to help you invest wisely online:

Protect your personal information. It's valuable. If you get an email or pop-up message asking for personal information, don't reply or click on the link in the message. Email is not a secure way to transmit personal information, and you don't want to risk downloading a virus or piece of spyware that can log your key-strokes when you type in an account number, password, or PIN. The safest course of action is not to respond to requests for your personal or financial information. If you believe there may be a need for such information by a company with which you have an account, contact that company directly in a way you know to be genuine.

Don't access your online investment account until you have checked for indicators that the site is secure, like a key or closed padlock icon on the browser's status bar or a website URL that begins "https:" (the "s" stands for "secure"). Unfortunately, no indicator is foolproof; some scammers have forged security icons.

Protect your passwords. Keep your passwords in a secure place, out of plain view, and avoid storing them on your computer. Don't share your passwords on the Internet, over email, or on the phone. Your Internet Service Provider (ISP) should never ask for your password. And if you access your accounts in a public place, be sure to position yourself so that no one can see your hands or your screen as you type your PIN or password.

In addition, hackers may try to figure out your passwords to gain access to your computer. You can make it tougher for them by:

- Using passwords that have at least eight characters and include numbers or symbols. The longer your password is, the tougher it is for a hacker to discover it.
- Avoiding common words: some hackers use programs that can try every word in the dictionary.
- Not using your personal information, your login name, or adjacent keys on the keyboard as passwords.



INVESTING WISELY ONLINE

- Changing your passwords regularly (at a minimum, every 90 days).
- Not using the same password for each online account you access.

Use anti-virus and anti-spyware software, and a firewall, and keep them up-to-date. These programs are a must-have if you make financial transactions online. Look for anti-virus software that removes or quarantines viruses, and for anti-spyware software that can undo changes spyware makes to your system; check that both programs will update automatically. If your firewall was shipped in the “off” mode, be sure to turn it on and set it up properly. It’s also important to keep your operating system up-to-date with the latest security patches.

Use a Security Token (if available). Using a security token can make it even harder for an identity thief to access your online investment account. That’s because these small number-generating devices offer a second layer of security — a one-time pass-code that typically changes every 30 or 60 seconds. These unpredictable pass-codes can frustrate identity thieves.

Use Extra Caution with Public Computers or Wireless Connections. Avoid using public or other shared computers to access your financial accounts online. If you do use one, when you finish a session, log off completely, delete your “temporary internet files,” and clear your Internet history.

Many cafés, hotels, airports, and other public establishments offer wireless networks for use by their customers. These “hot spots” are convenient, but they may not be secure. Ask the proprietor what security measures are in place. Regardless, if you have personal, financial, or other sensitive information on your computer, you may decide that accessing your online investment account — or any account, for that matter — through a public wireless connection isn’t worth the security risk.

Log Out Completely. Closing or minimizing your browser or typing in a new web address when you’re done using your online account may not be enough to prevent others from gaining access to your account information. Instead, click on the “log out” button to terminate your online session. In addition, don’t permit your browser to “remember” your username and password information. If this browser feature is active, anyone using your computer will have access to your investment account information.

Avoiding Investment Scams Online

To avoid Internet scams, OnGuard Online suggests the following:

- **Independently Verify Claims.** Never, ever, make an investment based solely on what you read in an online newsletter, bulletin board posting, or blog — especially if the



INVESTING WISELY ONLINE

investment involves a small, thinly-traded company that isn't well known. It's easy for a company or its promoters to make grandiose claims about new product developments, lucrative contracts, or the company's financial health. Before you invest, make sure you've independently verified those claims. Get started by turning to unbiased sources, such as the U.S. Securities and Exchange Commission (SEC), your state securities regulator, and securities industry self-regulatory organizations (including NYSE, Amex, and Nasdaq).

- **Do Your Homework.** Offers to sell securities must be registered with the SEC or eligible for an exemption — otherwise the offering is illegal. To see whether an investment is registered, check the SEC's EDGAR database and call your state securities regulator for more information about the company and the people promoting it. The fact that a company has registered its securities and files reports with the SEC doesn't guarantee the company will be a good investment. Likewise, the fact that a company hasn't registered and doesn't file reports doesn't mean the company is a fraud. But many investment frauds, including online scams, involve unregistered securities — so always investigate before you invest.
- **Be Skeptical of Self-Provided References.** Fraudsters will falsely assure you that an investment is properly registered with the appropriate agency and purport to give you the agency's telephone number so that you can verify that "fact." Sometimes they will give you the name of a real agency — other times they will fabricate one. But even if the agency does exist, the contact information they provide invariably will be false. Instead of speaking with a government official, you'll reach the fraudsters or their colleagues — who will give the company, the promoter, or the transaction high marks.
- **Thoroughly Check Out Promoters and Company Officials.** Many fraudsters are repeat offenders. Whenever the SEC sues an individual or entity, the agency issues a "litigation release." Litigation releases going back to 1995 are available on the SEC's website, www.sec.gov — simply run a search for the promoter, his or her company or newsletter, the company being touted, and its officers and directors. You also can check the licensing and disciplinary history of the person or entity promoting the opportunity by using NASD's free BrokerCheck service or by calling your state securities regulator.
- **Find Out Where the Stock Trades.** Many small, thinly-traded companies cannot meet the listing requirements of a national exchange. The securities of these companies trade instead in the "over-the-counter" market and are quoted on OTC systems, such as the OTC Bulletin Board or the Pink Sheets. Stocks that trade in the OTC market generally are among the most risky and most susceptible to manipulation.



INVESTING WISELY ONLINE

- **Watch Out for High-Pressure Pitches.** Beware of promoters who pressure you to buy before you have a chance to think about and fully investigate an investment opportunity. Don't fall for the line that you'll lose out on a "once-in-a-lifetime" chance to make big money if you don't act quickly. Remember: if an opportunity sounds too good to be true, it probably is.
- **Consider the Source and Be Skeptical.** Whenever someone you don't know offers you a hot stock tip, ask yourself: Why me? Why is this stranger giving *me* this tip? How might he or she benefit if I trade? Never forget that the person touting the stock may well be an insider of the company or a paid promoter who stands to profit handsomely if you trade.

Where to Turn for Help if You Run Into Problems Online

If you experience problems with your online investment account — or if you encounter an investment scam — please send your complaint in writing to the SEC using the agency's Online Complaint Center. Include as many details as possible, including a summary of the problem and the names, addresses, telephone or fax numbers, and email addresses or websites of any person or firm involved. If you believe your personal information has been misused, file a report about your identity theft with the police, and also file a complaint with the Federal Trade Commission at www.ftc.gov/idtheft. For more information on investing wisely and avoiding costly mistakes, visit the Investor Information section of the SEC's website at www.sec.gov/investor.shtml.

OnGuardOnline.gov provides practical tips from the federal government and the technology industry to help you be on guard against Internet fraud, secure your computer, and protect your personal information.

September 2006