

# Doron F. Eghbali Business Law

Thursday, May 20, 2010 by [Doron F. Eghbali](#)

With the stock market still tumultuous, interest rates relatively low and people outliving their retirement savings, many baby boomers are understandably concerned. This concern has led to infestation of marketplace with fraudsters preying on the unwary. Let us ascertain some of the tactics these fraudsters exploit before they could irreparably harm us.

## 1. HOME EQUITY SCHEMES

Fortunately, despite the real estate near collapse, many baby boomers have substantial equity in their homes. Unfortunately, some shysters masquerading as investors defraud such people by promising them high returns in return for their investments in their businesses.

Usually, fraudsters induce the unwary by presenting a promissory note and deceitfully asking them to tap into their home equity in the form of equity lines, loans of credit or even reverse mortgages.

### CAVEATS

- **HIGH RETURNS PROMISED:** Such Promissory notes look authentic and promise returns above prevailing certificate of deposits and bank accounts.
- **INVESTMENT TOUTED AS SAFE:** Such investments do not include sufficient disclosures about risks of losing your money.

### BOTTOM LINE

This is very important to *STAY AWAY* from people who promise you relatively high returns for tapping into your home equity.

## 2. LIFE SETTLEMENT SECURITIZATION SCHEMES

Life settlement is when you sell your life insurance policies at a discounted rate for a lump sum to investors. Life settlements have been severely criticized for their high fees, fine prints difficult to understand and aggressive sales practices.

Securitization of such life settlements has further compounded such imprudent practices. Securitization occurs when these life insurance policies are packaged together and provide backing (collateral) for notes promising high returns.

## CAVEATS

- **RUNNING AFOUL OF SECURITIES LAWS:** The SEC and pertinent regulatory agencies duly treat such complicated transactions as securities. However, insurance companies often call them an insurance product.
- **RUNNING A PONZI SCHEME:** Often such investments backed by life settlement securities are not investments at all. Indeed, either such underlying policies are FAKE or OVERVALUED.

## BOTTOM LINE

- **STAY AWAY:** If the underlying securities of any investment is so complex you cannot determine whether they are registered or not, have any value or what are the risks involved, simply stay away from them.
- **STAY AWAY:** If you are told the document is "Top Secret" and you should sign a confidentiality agreement and are not allowed to discuss the investment with your attorney or financial planner, simply stay away from them.

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