



Financial Literacy – Learning how to identify scams and fraud

According to the American Academy of Child and Adolescent Psychiatry, the average number of hours teens spend online each day is 9! This lesson identifies the most common types of scams fraudsters target to pre-teens and teens.

Grade Level

Grades 6-8, 9-12

Time Allotment

45 minutes

Subject Matter:

- Defining types of scams and fraud
- Identifying scams and fraud

Learning Objectives

Students, teachers and parents will learn to identify some of the most common scams fraudsters target to pre-teens and teens.

Students will be able to:

- Define scams and fraud
- Learn how scams and fraud work
- Learn real life examples of scams and fraud
- Learn how to identify scams and fraud
- Learn who to contact if they think they have been scammed or have fraud

Materials Needed

The attached workbook should be given to each student. Encourage students to take this workbook home to talk with their parent or guardian.

Worksheet - Learning how to identify scams and fraud

Protect yourself from Scammers!

- Take time to talk to kids and explain ways scammers take advantage.
- Never share any personal or financial information with anyone online unless you are 100% sure who you are sharing with.
- Keep private information private, such as bank account information, passwords and PINs.
- Don't open suspicious links or emails.
- Beware of fake websites.

The 8 most common scams targeted at pre-teens and teens are, according to Investopedia:

- **Social Media Scams**
 - Social media plays a big role in many teens' lives, which can leave an open door for fraudsters. A common scam to which teens may fall victim involves taking an online survey that pops up in their feed. The problem? They must provide personal information to complete the survey. Scammers can use this information to access the teen's account, which may include credit card and other personal details.
- **Inexpensive Luxury Goods**
 - Have you ever seen ads online for the latest iPhone, "It" handbag, just-walked-the-red-carpet designer gown, or state-of-the-art headphones being sold at just a fraction of the retail price? Many of these advertisements are simply scams aimed at unsuspecting individuals who are looking for a good deal. However, these scams do not only exist online. Teens can be approached with too-good-to-be-true offers just about anywhere.

Sadly, in many cases, these cheap goods don't even exist. After these teens hand over their money, they never receive the promised merchandise. Or, at best, it'll be an obviously cheap imitation or counterfeit.
- **Cell Phone "freebies"**
 - Many teens carry around their cell phones wherever they go, creating a vehicle for potential fraud. Knowing how kids love to personalize their gadgetry, some companies target teens for "free" new ringtones and wallpaper images that arrive on a regular basis. However, what they don't advertise—or at least make clear—is that this service comes with a hefty fee that'll be added to the phone bill each month. Many of these fees appear on the phone bill with ambiguous terms making it difficult for consumers—be it the kids or their parents—to decipher what they are paying for.
- **Online Auctions**
 - Auction scams have been found to target unsuspecting teens in various ways. One scam involves an auction that the teen wins for an item that does not exist or never arrives—even though the teen has paid for it. Alternatively, when an unsuspecting teen is encouraged to auction off possessions, the scam artist (the "auction house rep") requires the teen to send in the item in advance before the buyer's payment arrives or even before bids are placed. Of course, the funds never arrive, or the auction never happens, and the rep disappears.
- **Money Mules**
 - Money mules have a way of using innocent peoples' bank accounts and PINS to criminally get stolen money into their own bank accounts. They do this by getting everyday people to give them their bank account and PIN numbers, by promising a cash reward that sometimes they even do receive a cut of, and then flow money in and out of those accounts and into their own. Often people do not even realize they are breaking the law or understanding the devastating consequence of getting involved.
- **Contests**
 - Some scammers run contests, with the aim being to gather entry money or personal information as a means of identity theft. Another variation exists in the form of literature or art competitions, in which creative young people can submit their work in the hopes of winning a prize or having their work published. Of course, the teen applicant wins—and is then asked to pay a sum of money for the work to actually be published or displayed. Or, the teen is required to send money with the opportunity to win an even larger prize.
- **Identity Theft**

- It's easy for an identity thief to [phish](#) for information from youth, as adolescents don't even realize that they're handing over personal data that can be used for identity theft. Many of these scams operate online, making use of emails or pop-up windows that ask for verification of addresses, phone numbers, passwords, Social Security numbers, or bank or credit card account numbers.

Other versions of this scam include false employment opportunities and false credit card applications—both of which require the reporting of financial information and personal details.

- **Financial Scams**

- Financial scams operate in many ways. Although these scams do not necessarily target teens, they may be more likely to fall victim to them. It generally starts when they receive an email or text or see an advertisement on social media with an offer to invest in a great opportunity with huge payouts (often known as a [Ponzi scheme](#)). Or, they are offered a quick and easy way to make money by recruiting others—a [pyramid scheme](#).

- **Scholarships and Grants**

- Many young people are worried about financing their higher education, and this may cause them to fall victim to scams surrounding false scholarships or grants. These offers can be attempts to steal personal information from students who may be looking for financial aid. Other scams focus on charging money for information on potential scholarships that may or may not actually exist.

Real Life Examples:

- Suzie spends a lot of time online. While she didn't know it, a scammer connected with her via Facebook and told her she won a computer of her choice. The scammer told her he would send her a check for \$1,000 to purchase any computer she wanted. She was told to deposit the check and send him back \$300 for the shipping and handling expenses. She deposited the check, sent the scammer \$300, bought the computer and then the check came back fraudulent. The scammer got away with \$300 and now Suzie is indebted to the bank for \$1,000.
- John received a letter in the mail that he won a lottery for \$100,000. John is excited! The letter instructed John to send by Western Union a sum of \$500 to cover the costs of the taxes for the winnings before he would receive the money. John did as he was told, but guess what! He never received the \$100,000 as it was all a scam. John just lost \$500.
- Beware Snapchat users! A scammer operating through Snapchat is asking users to open a bank account and provide them with the account number and PIN. In exchange, the scammer says they will deposit \$500 into your new account! Sound too good to be true! Well it is! You never get the money, but they use your bank account information to launder other dirty money.
- You get a call from someone who says they are from your internet provider and they owe you a \$100 refund. They ask you for your PIN and account number so that they can send it through. You give them the details and they transfer you \$10,000 instead of \$100. They call you back in a panic saying they've made a big mistake and that they'll lose their job if their boss finds out that they've sent you the wrong amount. They ask you to send the extra \$9,900 to a bank account and they give you the account details. If you do what they say and send the money, you will have helped a criminal launder money that belongs to a scam.

The Bottom Line?

- It's an old but important life lesson: If anything looks too good to be true, it probably is. Parents, guardians, and teachers should take the time to discuss with teens the types of information that scammers are looking for and emphasize the need for security, privacy, and caution in sharing data. And make your children aware of any common frauds out there—especially on the internet.

What to do if you feel you've been a victim of a scam or fraud?

- ✓ This can happen to anyone – so don't feel embarrassed! It's an easy trap to follow into and it's important to take action rather than not.
- ✓ Notify your parents or a trusted adult immediately.
- ✓ Notify your bank immediately.

TAKEAWAYS

- Scams that target teenagers abound, especially in their favorite habitat—the internet.
- Fraudsters use social media to trick teens into providing personal information, which can be used for identity theft.



- Many scams take the form of ads and auctions, promising luxury goods for amazingly cheap prices—goods that never arrive.
- Other scams involve contests, scholarships, or employment offers that require the teen to pay some sort of fee or deposit.
- Yet another trick is to lure teens with "free" services for cell phones that actually incur a monthly charge.

Definition Key

Scam - a dishonest scheme; a fraud.

Phishing - A method of identity theft carried out through the creation of a fraudulent website, email or text appearing to represent a legitimate firm. A scammer may use a fraudulent website that appears on the surface to look the same as the legitimate website. Visitors to the site, thinking they are interacting with a real business, may submit their personal information, such as social security numbers, account numbers, login IDs and passwords, to this site. The scammers then use the information submitted to steal the visitor's money, identity or both, or sell the information to other criminal parties. Phishing may also occur in the form of emails or texts from scammers that are made to appear as if they are sent from a legitimate business. These fake emails or texts may install programs like ransomware that can allow scammers to access a victim's computer or network.

Laundering - the illegal process of making large amounts of money generated by a criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source. The money from the criminal activity is considered dirty, and the process "launders" it to make it look clean. Money laundering is a serious financial crime that is employed by white collar and street-level criminals alike.

Ponzi Scheme - a fraudulent investing scam promising high rates of return with little risk to investors. A Ponzi scheme is a fraudulent investing scam which generates returns for earlier investors with money taken from later investors.

Pyramid Scheme - a sketchy and unsustainable business model, where a few top-level members recruit newer members, who pay upfront costs up the chain, to those who enrolled them. As newer members in turn recruit underlings of their own, a portion of the subsequent fees they receive is also kicked up the chain. Often called "pyramid scams," these operations are illegal in some countries.

Both a Ponzi scheme and pyramid scheme are based on using new investors' funds to pay the earlier backers. Both Ponzi schemes and pyramid schemes eventually bottom out when the flood of new investors dries up and there isn't enough money to go around. At that point, the schemes unravel.