

# A BAD RETURN ON YOUR MONEY: AN OVERVIEW OF INVESTMENT FRAUD

Susan Mangiero, PhD, CFA, CFE, FRM, MBA, MFA

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# SUSAN MANGIERO: SHORT BIO

Susan Mangiero, PhD, CFA, CFE, FRM, MBA, MFA currently works as a freelance business and finance ghostwriter, content strategist, and journalist. She brings over two decades of compelling expertise at the intersection of business strategy and operations, fiduciary oversight, financial risk management, and high-impact storytelling. She collaborates with accountants, advisors, asset managers, bankers, consultants, executives, founders, and wealth managers to elevate their message with authority and clarity. Her publications appear in 100+ venues. She is the author of *Risk Management for Pensions, Endowments, and Foundations*.

Susan's past career includes work as a bond, currency, and derivatives trader, corporate trainer, digital publishing start-up CEO, expert witness, risk management consultant, and tenured university professor. Susan earned a PhD in Finance (University of Connecticut), MBA in Finance (New York University), MA in Economics (George Washington University) and MFA in Creative and Professional Writing (Western Connecticut State University). She is a CFA charterholder, Certified Fraud Examiner, and certified Financial Risk Manager. In her spare time, Susan is writing a cozy mystery novel. See <https://www.linkedin.com/in/smangiero/> for further biographical details.



# ARTICLE IN FRAUD MAGAZINE

- "A Bad Return On Your Money" by Susan Mangiero was published by *FRAUD Magazine* in the November/December 2023 issue.
- This article examines current investment fraud trends including types of occurrence, detection, and prevention techniques.
- Susan Mangiero won an investigative journalism award from the American Society of Business Publication Editors for her work in shedding light on this important topic.
- This article includes statistics and insights from practicing fraud risk mitigation professionals.
- Email [contact@ipaintwithwords.com](mailto:contact@ipaintwithwords.com) for a copy of this article.

# HOLLYWOOD'S FASCINATION WITH FRAUDSTERS

Banking on Bad



# MONEY SELLS: MOVIES ABOUT FRAUD

Grab Your  
Popcorn  
and  
Your Wallet

- *Arbitrage* (2012) - Accounting Tricks, Valuation
- *Boiler Room* (2000) - Broker Fraud
- *Catch Me If You Can* (2002) - Frank Abagnale, Jr. - Check Kiting, Fake Identities
- *Enron: The Smartest Guys in the Room* (2003) - Accounting Tricks, Valuation
- *Molly's Game* (2017) - Molly Bloom - Illegal Gambling
- *Rogue Trader* (1999) - Nick Leeson - Misuse of Error Account, Unauthorized Trading
- *The Big Short* (2015) - 2008 Housing Crisis
- *The Inventor: Out for Blood in Silicon Valley* (2019) - Deceit
- *The Sting* (1973) - Fred and Charley Gondorff - Wire Fraud
- *The Wizard of Lies* (2017) - Bernie Madoff - Ponzi Scheme
- *The Wolf of Wall Street* (2013) - Jordan Belfort - Pump and Dump
- *Wall Street* (1987) - Insider Trading

# WHY PEOPLE WATCH MOVIES ABOUT FRAUD



- Allure of Real-Life Stories
- Curiosity
- Desire to Understand Motivations that Drive Fraudsters
- Emotional Characterization of Protagonist
- Personal Impact - Fraud Victim
- Psychological Insight
- Quest for Justice
- Suspense

# WHY PEOPLE FALL PREY TO FRAUDSTERS



- Age
- Cognitive Bias
- Economic Instability - Go For Broke
- Education
- Emotional Triggers – Examples: FOMO, Overconfidence
- Insecurity
- Loneliness
- Misplaced Trust
- Social Isolation

# INVESTMENT FRAUD IS BIG AND GROWING



Source: Federal Trade Commission

"Consumers reported losing more money to investment scams—\$5.7 billion—than any other category in 2024. That amount represents a 24% increase over 2023. The second highest reported loss amount came from imposter scams, with \$2.95 billion reported lost. In 2024, consumers reported losing more money to scams where they paid with bank transfers or cryptocurrency than all other payment methods combined."

## Investment scam stats by age, 2025 H1

Age	Investment scams reported	Reporting loss	Percent reporting loss	Total losses	Median loss
19 and Under	982	772	78%	\$3,582,533	\$535
20 - 29	4,379	3,618	84%	\$61,763,046	\$1,400
30 - 39	5,999	4,874	81%	\$150,034,899	\$3,899
40 - 49	5,987	4,747	80%	\$228,842,726	\$7,755
50 - 59	5,118	4,089	80%	\$312,255,675	\$12,747
60 - 69	4,499	3,433	77%	\$319,087,742	\$20,000
70 - 79	2,273	1,692	75%	\$185,058,354	\$30,000
80 and Over	455	294	66%	\$33,945,133	\$25,000

Data source: FTC (2025).

Table Attributed to The Motley Fool

# INVESTMENT FRAUD CATEGORIES

## Types of Investment Fraud - Partial List

01

Affinity Fraud: Targets elderly, ethnic, hobby, or religious groups

02

Advance-Fee Fraud: Investor pays an upfront fee and gets nothing back

03

Binary Options Fraud: Internet-based trading with software manipulation

04

Imposter Fraud: Someone pretending to be an advisor or government authority

05

Internet Fraud: Online or phishing emails offering sales of Bitcoin or stocks

06

Ponzi Scheme: Inflated returns paid to early investors. Later ones lose

07

Pump and Dump Fraud: Initial manipulation of stock prices upward

08

Pyramid Schemes: Returns tied to sign-on fees and # recruits



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# WHY TRADITIONAL CONTROLS FAIL



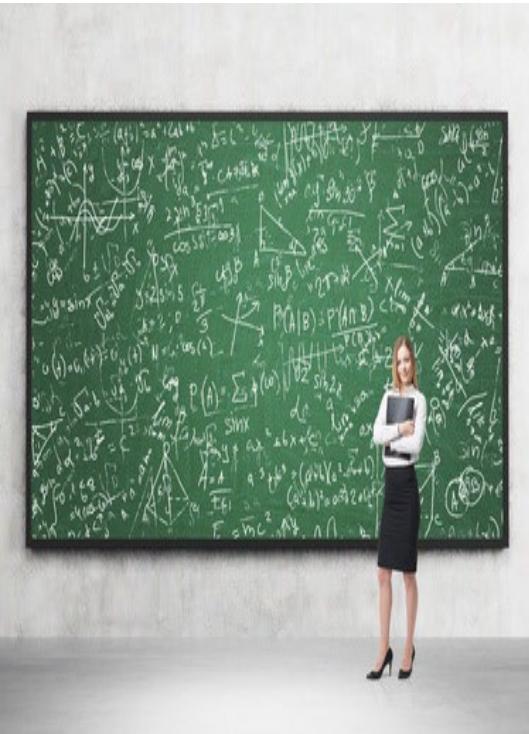
- Complexity of Fraud
- Incomplete or Insufficient Controls
- Limited Communication Across Control Units
- Limited Visibility Across Control Units
- Overreliance on “Check Off the Box” Approach
- Poorly Planned Incentives to Thwart Fraud
- Slow Response Rate Versus Speed of “Fraud Innovation”

# DETECTION AND RISK-MONITORING TIPS



- Control how data is entered into the main system
- Control who supervises data entries
- Control who has authority to change data input process and data output reporting
- Educate (ongoing) investment advisors and money managers to include ethics and regulatory training
- Educate and otherwise vet potential investment clients
- Examine activities of in-house professionals during mandated time off
- Evaluate behavioral and financial models for common sense checks
- Use real-time transaction monitoring

# INTERNAL CONTROLS AND RISK GOVERNANCE



- Apply fraud risk assessments on a quarterly basis when meeting with an investment company employee
- Assign oversight duties to an experienced executive and/or team and clearly communicate their role to every employee and outside service provider - "Tone at the Top"
- Design and implement compensation incentives for the oversight team as well as those employees who are responsible for avoiding, detecting, and/or reporting investment fraud or suspicions
- Review all marketing materials to ensure integrity and transparency
- Review all partners and service providers (vendors) for actual investment fraud occurrences or vulnerabilities to investment fraud
- Segregate duties to ensure no one has unfettered control of money
- Simplify the complex when communicating across disciplines

# ROLES PLAYED BY CERTIFIED FRAUD EXAMINERS



- Analyst
- Detective
- Librarian
- Psychologist
- Researcher
- Skeptic
- Social Worker
- Storyteller

# CASE STUDY: PENSION PLAN LOSSES DUE TO FRAUD

Red Flags Overlooked



# KICK THE PROVERBIAL TIRES OFTEN

- Complex Legal Structure - Who Really Owns Assets and Income on Assets?
- Conflicts of Interest for Investment Fiduciaries - Company vs. Retirement Plan
- Excessive Use of Leverage
- Financial Consultant's Past History
- Lack of Reporting Transparency
- Lack of Product Knowledge
- Lack of Objectivity
- No Formal Training for Fiduciaries
- No Regularly Monitoring of Investments and Investment Service Providers
- Offshore Legal Structures Set Up to Avoid Transparency
- Poor Incentives That Favor Short-Term Performance Versus Long-Term Performance
- Unequal Allocation of Gains and Losses
- Unverified Valuations of Illiquid Assets

# **CLOSING: HELP DETECT AND PREVENT INVESTMENT FRAUD**

Be Part of the Solution



# RECOMMENDATIONS - PARTIAL LIST

- Create a fraud detection, mitigation, and monitoring road map that reflects industry and situation-specific best practices - This will vary somewhat according to each CFE's client - Accounting firm, asset manager, corporation, financial advisors, retail investors, retirement plan fiduciaries, small business, *inter alia*
- Create an incentive program that reflects behavioral and economic prudence and independence
- Document your processes on a regular basis
- Educate anyone involved with the investment process from back office to front office and client
- Establish an oversight committee that will have accountability for the company's risk management program, including fraud avoidance
- Include security checks when hiring
- Implement cyber security safeguards
- Implement a robust whistleblower protection program
- Monitor regulatory updates
- Steer clear of guaranteed returns or "too good to be true" investment performance if you are an investor and, if you are the investment manager, don't overpromise or deceive