

## [How JC Got Scammed Out Of \\$2,100,000](#)

**SCOTT:** Welcome rockstar nation to The Financial Rockstar Show. I'm your host Scott Alan Turner ready to help you get out of debt, save more money and retire early. If you missed the last show, I shared with you ways you can stay motivated when you're getting out of debt, as well as answering a bunch of your questions. Please check that out.

Now today, we have a short show and it's going to be 100% serious today, no funny business. It is a power packed warning to every listener. Sometimes the shortest messages deliver the biggest bang, so everyone, everyone, please hear me on this, because this stuff happens every day and it could happen to you.

Now, I've always been fascinated by crime stories, Al Capone, art heist, bank robberies, people who try to cheat at gambling; I don't know why, this stuff just interests me. When we had cable, if we came home late on a Saturday night, I'd flip on the TV, usually I would end up on MSNBC, or CNBC, and I'd just flip back and forth, back and forth between Locked Up, where they talk about people that are living life in jail and American Greed. But today on the show we have got a victim from one of those people who you would likely see on the show American Greed. Let's listen to his story.

My guest today is a very smart and successful business person who lost \$2,175 million in a fraudulent investment scam. He's graciously agreed to come on the show and share his story so that we can learn from it. Welcome to the show, J.C.

**J.C.:** Thank you. I'm looking forward to talking to you today.

**SCOTT:** Thank you so much for coming on. So this wasn't like somebody walked up to you with a big stack of legal looking documents and said, "Give us a bunch of money, and this is a Ponzi scheme," it didn't go like that. Explain to us what a Ponzi scheme is.

**J.C.:** A Ponzi scheme is where a person puts in money today with the promise of a very good return, an excellent return and the person who receives that money, in order to keep the scheme going, he's dependent upon getting more money from other investors. So, he's really paying out the older investors, the rate of return from new money, new money that they're getting in from new investors.

It's also called a pyramid scheme. As this pyramid scheme continues to moves on, you get to a point where it fails under its own weight. You can't get enough new investors to keep paying off the old investors at the investment scheme. And I believe in my heart of hearts that -- I don't think it was intended to become a Ponzi scheme, I think it was a factoring business that got out of hand, and in order to get more money they promised higher returns. And when the principal couldn't get those higher returns, he had to get the money from some place. So, he got it from new investors.

**SCOTT:** How were you approached about this investment opportunity?

**J.C.:** Well, one of my son in laws, or actually now a former son in law told me about this opportunity and it sounded too good to be true. I didn't want to have anything to do with it, and he kept pressing me and I said, "Okay, let me hear more about it. I don't want to just dismiss it out of hand." And he introduced me to this individual. Can I mention names?

**SCOTT:** Let's stay away from specific names, unless it's Bernie Madoff, obviously.

**J.C.:** No, but it's exactly like the Bernie Madoff case. In any event, so I met with this principal in a conference room at my son in law's place at business. The investment scheme, the scenario that he'd point out was they were investing in providing contractors from [04:28 – inaudible] water supply with funding. This was for helping contractors with a small business set aside and the return on our investment would be about 10% a quarter, which is a phenomenal return on investment. So that was the first trigger that I didn't believe it, you know, that it was possible.

And so I ended up getting a list of references, a list of banks. I actually at one point in time I said, "I want to take your picture, because if you ever take my money we're going to use this picture to find you." And he agreed. And I end up checking out all of his references, which they checked. I actually went to the Business Bank in Nevada, which was his bank and I met with

one of the Vice presidents there. They confirmed that everything that they had was legit on him. I contacted in California the State Attorney General's Office, no complaints to Better Business Bureau, no complaints.

So everywhere I checked, everything was fine. So I thought, at first I put – “Okay, I’ll try \$50,000.” So I put \$50,000 in, and I got the return on my investment. Three months later, I got the money. And so I thought, “Well, this is pretty good, I’ll try another \$50,000.” And that continued to happen, and I continued to invest and reinvest the money, to one point in time I was getting \$135,000 a month and reinvesting the vast majority right back into the investment.

And I continued to try and check this person out, I actually went to his offices, met his employees. Everything, every which way looked legit. And on two separate occasions, he actually stopped taking money because they couldn’t place it fast enough. And I thought, “Well gee, if this is a Ponzi scheme, they wouldn’t stop taking money, because a Ponzi scheme you’re dependent upon people actually putting more money in on a constant basis.”

So this sort of validated the program within my eyes, and since I couldn’t find anything wrong with it, from no matter which way I checked, I thought, “Maybe I was wrong, maybe these returns are bonafide. I never heard about them in business, I mean, I’ve been in business for 40 years and I’ve never seen that kind of returns.”

**SCOTT:** When you were paid out, the money from the investment returns, did you actually see that money in your bank account, or was somebody showing you fake stock certificates or pieces of paper showing you how your money had grown?

**J.C.:** No, I would actually get a check, but then I would immediately, almost the same day, put the vast majority of that money right back in. So overtime, as the money grew, they would call me and say, “Okay, do you want the cash or do you just want to reinvest?” And so over time I would say, “Okay, instead of sending me \$200,000, put \$100,000 back in and I’ll take \$35,000.”

What I set my investment up was to get a monthly income. I know it sounds like a lot of money but, you know, you get \$135,000 the first thing you do is you write a check to Uncle Sam for \$50,000 and more, because you don’t want to not pay those taxes right away, because then you’re going to end up with another problem in a couple of months. So you really have to pay the taxes on a monthly basis, or even on a weekly basis dependent upon how you’re being paid out. So, this went on for a couple of years.

**SCOTT:** Take us back to the moment when you first realized what was going on and tell us the story.

**J.C.:** In September of the year that this thing finally collapsed, we got a letter from the company saying that due to financial irregularities they were stopping taking all new payments and they were going to stop making payments, until these financial irregularities or accounting irregularities were reconciled. And that was the first tip off that there may be a problem here. And they had hired a “forensic accountant”, and they made it seem like everything was legit, but in retrospect that allowed this person time to gather the money, tie-up the loose ends and flee the country. He had gotten away with somewhere between \$48 and \$54 million, from several hundred investors.

**SCOTT:** Wow, that is a lot. I watched my fair share of TV shows, American Greed on CNBC, where they profile crooks, investment scams, fake charities, counterfeit money, and a lot of these stories are of older people, they felt for these scams and they lost it all. Did you have to start completely over, after this was over?

**J.C.:** Absolutely. We started all over, because we owned actually two homes at the time. We were actually trying to sell one of them, they were in two different states, and we were trying to sell one. And this was just when the housing market was collapsing and we were able to sell neither one. It took two and a half years to sell them. By that time, this thing had started to crumble, so when we lost -- because I was reinvesting all the time and putting the vast majority of money back into the Ponzi scheme, I sort of saw it, in gambling terms, letting them ride, so to speak. Yes, we lost everything. I never had to declare bankruptcy, or foreclosure, or anything like that; but yes, we lost everything.

**SCOTT:** So we don't have to have millions of dollars to be a victim of a scam, there are scammers out there, they're on Craigslist trying to rip us off every day, or as little as a couple hundred bucks. What advice do you have so that we can avoid something like this happen to us? You obviously did a lot of due diligence in this process.

**J.C.:** Well, the due diligence part was even more frustrating, because I did it and I still got skunked, but you know, if something sounds too good to be true, the old adage, stay away from it. I'd never heard in all my career returns like this, 10% a quarter. That's 40% a year. If it doesn't make sense, there's something wrong with it. And now I can spot these kinds of deals, that are going to end up going sideways, or are going to end up costing the investors a lot of money; I can just see it. But it's taken me one heck of an education, losing over \$2 million to get that education; and hopefully, other people can learn from other people's mistakes. If it sounds too good to be true, it probably is, so stay away.

**SCOTT:** J.C., thank you very much for sharing your story today. I know I appreciate your openness and honesty about a difficult subject and a difficult thing that you went through, and I'm sure my listeners do as well. So, thank you very much for being on the show.

**J.C.:** You're quite welcome. I really appreciate it.

**SCOTT:** About that story nation, that is a powerful warning to everyone, no matter what amount of savings you may or may not have. You might think this stuff only happens to people who have money, or people who have lots of money; and you'd be dead wrong.

You might have \$100 to your name, there is somebody out there who has a tail to tell and strategies to get you to part with that \$100, on the promise they can turn it into \$200. We can work with smart financial advisers who have good intentions, and then one day they decide to move to Costa Rica with all our retirement funds.

Or, I was reading a story the other day about a woman who bought a house and she paid money for the house to someone who didn't even own the house. There are a lot of shady characters out there and they are everywhere, every city, every state, every country. So be careful. Those are the words.

Next time I'll be giving you tips on how to stop overspending, as well as answering your questions. You don't want to miss that. That's it for this episode. I'm your host Scott Alan Turner, rockstar Katy is my producer, thanks for listening.

**Presenter:** You're not alone on your journey. To live a financial, rock star life, that's why we put together a FREE eBook just for you. Go to [financialrockstar.club](http://financialrockstar.club) to receive your free guide on How to Save \$1,000 In One Week and start getting out of debt, saving more money and retiring early. See you next time.