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FINRA Investor Alert: HYIPs-High Yield Investment Programs Are Hazardous to Your Investment Portfolio

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High-yield investment programs (HYIPs) are unregistered investments created and touted by unlicensed individuals. Typically offered through slick (and sometimes not-so-slick) websites, HYIPs dangle the contradictory promises of safety coupled with high, unsustainable rates of return. According to recent law enforcement cases, many operate as Ponzi schemes, using payments from today's recruits to pay "interest payments" to yesterday's investors or "referral" fees to those who recruit new members. The Federal Bureau of Investigation recently reported that the number of new investigations in this area during fiscal year 2009 increased 105 percent over fiscal year 2008.

The con artists behind HYIPs are experts at using social media — including YouTube, Twitter and Facebook — to lure investors and create the illusion of social consensus that these investments are legitimate, but investors should know that HYIPs are just Internet-based scams. By using Google AdWords, FINRA hopes to reach anyone searching the Internet for HYIPs before they fall into the hands of con artists.