

## Diversifying

JUL 25, 2022

### Don't Fall For These Money Scams



Speakers

Delyanne Barros, Vivian Tu

00:00:03

**Delyanne Barros**

Have you, Vivian, ever been a victim of a money scam?

00:00:07

**Vivian Tu**

I am fortunate that I haven't, but I do know people who have been.

00:00:12

**Delyanne Barros**

Yeah, same. I think I've come close because they're getting sneakier and sneakier. I would get some scary voicemails, right? Like...

00:00:20

**Vivian Tu**

Yes!

00:00:21

**Delyanne Barros**

It would be a scary voicemail or an email or a text.

00:00:24

**Vivian Tu**

This is the IRS like... Yeah. No, it's not. No, it's not.

00:00:28

**Delyanne Barros**

Yeah! I'm like, Oh, my God. The IRS has my phone number? I'm like, What's happening? That's Vivian Tu, the CEO and founder of Your Rich BFF Media. She knows a lot about the finance world and she was right about that scary voicemail. The real IRS definitely wasn't calling me. It was a phone scam. And it's just one of many ways people lose millions every year. These scams have become so sophisticated that anyone can fall prey to them. So don't feel bad if it's happened to you. Today, Vivian's going to help me break down some of the more common money traps - from copycat profiles on social media to pyramid schemes. And of course, she'll tell us how to spot them so you can stay safe and keep your money where it belongs, in your pocket. I'm Delyanne Barros, this is Diversifying.

00:01:35

**Vivian Tu**

I talk about saving, budgeting, investing, and spending your money wisely amongst other personal finance tips and tidbits.

00:01:44

**Delyanne Barros**

Vivian used to work on Wall Street. And these days, she's sharing her financial wisdom on social media. Like me, she uses her platform to help her audience navigate the tricky personal finance decisions we have to make every day. She also debunks some of the sketchy tips and tricks that get passed around social media. So I wanted to ask her, How does she go from being a Wall Street baddie to a personal finance phenomenon?

00:02:11

**Vivian Tu**

When I left Wall Street, I pivoted into tech. And when I got there, all of my new colleagues were like, You came from Wall Street? Can you rebalance my 401k? Can I see which health insurance plan you picked? What are you investing in? What should I be spending my money on? And I very literally started my TikTok as a joke for my coworkers, thinking that we were just going to have this little inside fun thing between us. And I made my very first video talking about how I had seen some sketchy advice going around. I told my audience, Hey, I don't have any get rich quick schemes here, but if you actually want to learn about money and finance, I can help. And the channel has blown up since.

00:02:51

**Delyanne Barros**

That is why I'm so glad you're here today, because we are going to tackle some of these money scams or as I like to call them, traps, and how our listeners can protect themselves. So to get started, give me your take on what you think of when you hear the word money scam.

00:03:08

**Vivian Tu**

So this is like a very niche experience, but I feel like everybody has this. When you get a message from a girl that you knew from high school who immediately starts the message being like, Hey, girlie, it's been a while, but do you want to make a bunch of money working from home and be your own girl boss? And I'm like, Oh no. Like, this person's about to try and sell me skinny tea or some brand of makeup that I've never heard of, or a hair product that's probably going to make my hair fall out. But that's my initial reaction is just huge money scam being that potential MLM style pyramid scheme.

00:03:52

**Delyanne Barros**

Yeah, I think that we've all seen, you know, Tinder Swindler and all of those movies and you know, we've heard the podcasts and we've heard these crazy schemes that are out there where we're like, How did that person get scammed? That would never happen to me. But I think that the scams that we're going to be talking about today and the ones that are out there, they're actually taking a lot of money away from people are very sneaky and they kind of infiltrate the financial space in a way that it almost blends in. So it almost sounds legitimate.

00:04:26

**Vivian Tu**

There is always a thread of truth, but then I think people take it one step further, promising something that feels just slightly too good to be true.

00:04:43

**Delyanne Barros**

The amount of money that people lose each year is sadly massive. Over \$2 billion was reported as stolen last year from imposter scams. That's more than the GDP of some countries. And if you're thinking this is just a problem for the older folks, let me tell you, it's affecting everyone. In fact, the FBI found that internet crime victims in their 20s lost close to \$3,000 on average. And this was just over the course of one year. For people in their 30s and 40s, they lost even more. I'm talking between five to \$8000. Ouch.

00:05:22

**Vivian Tu**

Whether that be somebody reaching out to you in your DMS, pretending to be you or me and saying, like, I can guarantee you 15% returns, or it's essentially always somewhat in the realm of reality, but always on the better side of it. And then the words that they love to use are guarantee, assure. Words that essentially are promissory and, you know, real financial educators like yourself and myself, like, we would just never say that.

00:05:54

**Delyanne Barros**

Yeah. And I think that that was one of the scams that I wanted to talk about, because I know you and I have experienced this, is having people replicate our accounts, completely download our entire profile, right, have our profile picture there and then immediately start DMing all of our followers. So pretending to be us. And unfortunately, the social media platforms don't do much to help us because I've reported a lot of these and they don't get taken down. I get messages saying, Oh, they're not violating community guidelines. I'm like, How? How is this not a violation of community guidelines?

00:06:29

**Vivian Tu**

It's so scary because they get so good at this. They replicate the exact photo, they even download all of your video so it looks like an identical profile. And they'll even buy followers so it looks like the real thing. And then when they DM someone they're like, Hey, I want to make 200% on this crypto coin that is very clearly about to be a rug pull. And it is so scary because when your brand or my brand, our brands are our faces, people will associate that with us when it's very clearly a scammer.

00:07:04

**Delyanne Barros**

Yeah, I think, you know, if you guys aren't aware whenever you see all of those messages, right, on our own profiles where they're like, Oh, contact me on WhatsApp and the font looks all crazy and it's like 20 versions of the same comment. I assure you that is not me. That is not Vivian doing those. Like, those are bots. So if it looks suspicious, like, trust your gut, you know. Also, scammers are going to capitalize on your confusion. The other thing that they use is urgency. Like, Hey, this is going away. This is like, this needs to be taken care of, like, right now, right? Like this is a one time opportunity. Gonna to end soon.

00:07:42

**Vivian Tu**

It's like the same thing that they used to do to grandparents. They would call them and say, Your grandchild is in prison. You need to wire us X amount of money or they're not going to be released. And the loving, dotting grandparents wire \$1,000 away just for their grandchild to be comfortably sitting at home.

00:08:04

**Delyanne Barros**

Right. Or actually, the new version now is, Oh, your account has been hacked and if you want access to it, you have to send us X amount of money or we're gonna take it down, right?

00:08:14

**Vivian Tu**

Like there's a word for that. That's extortion.

00:08:17

**Delyanne Barros**

Yup. And of course, fear like you were mentioning. So threatening things like court action or criminal charges. That's the scariest version. And that happened to me when I was undocumented. And I got this phone call saying that my Social Security had been compromised and that I had a court date. And I'm telling you, the panic that came over me and somebody had to like talk me down because I thought for sure that I was going to get deported through my phone. I thought they were just going to, like, suck me into this portal and like, you know, take me. But again, I think the best thing to do in that moment is to take a breath and don't do anything. Don't react. Go talk to somebody. Go do a gut check with somebody else and do some research before you send anybody your personal information, money, anything.

00:09:06

**Vivian Tu**

Yeah, especially if they're claiming to be a service that you've historically accessed. There are things that you can do to protect yourself, whether that be verifying, you know, your service provider. Is it like actually your insurance company or is it some scammer? Is it your credit card company? Is it your bank? Just make sure that you are accessing them through a channel that you know is legitimate.

00:09:29

**Delyanne Barros**

I've been getting a lot more text messages from scammers. Have you?

00:09:33

**Vivian Tu**

Oh, yeah.

00:09:33

**Delyanne Barros**

I mean, it's an it's really I've seen a huge uptick and it will be like, Oh, this is Citibank. And I'm like, I don't have an account at Citibank. So immediately, immediately no.

00:09:42

**Vivian Tu**

Yeah. And the scariest thing is when they have the little links in the text and you know, as soon as you click that link, they somehow have all your info. So just if you get a text from somebody that you don't recognize from a number you don't know that you haven't ever seen come through before. Just double think. Take an extra second before you click.

00:10:04

**Delyanne Barros**

Alright. Well, let's talk about business models that companies use to scam people out of their money. One of the most common ones we've all heard about them pyramid schemes, which are often confused for multi-level marketing or MLMs. Can you explain a little bit more about what they are and what's the difference between a pyramid scheme and an MLM?

**Vivian Tu** 00:10:24 So essentially multilevel marketing has been around for a very long time. This is oftentimes marketing through your social networks, your communities. You can think about these as those home cooking sessions where people would watch you cook, your neighbors would come to your home, you would cook a meal, showcase all the cool tools you used, and then they would buy the tools from you. Multi-level marketing is if somebody was at that party and they also were interested in becoming a rep for that homewares brand and they wanted to sell as well. You would become essentially their manager and you would get a small proceed of what they're able to sell. While I personally don't think this is a super great moneymaking endeavor, it's not illegal and it is a true business model. However, with a pyramid scheme, instead of making money from selling product, you make money from recruiting. And the problem with pyramid schemes are, unless you are at the very, very tip top of that pyramid, you are bound to lose money. Odds are good the product or service you're selling is wack. I don't have another word for that.

**Delyanne Barros** 00:11:41 Wack works.

**Vivian Tu** 00:11:42 Wack works. And realistically, when you are not able to make those sales, you are going to have to supplement your income by essentially recruiting more and more people to come work under you. So in reality, nobody is selling any product. You get paid off of recruiting and eventually this house of cards will fall when people are unable to continue doing this business.

**Delyanne Barros** 00:12:04 Right. And unfortunately, it's something that is become major in like mommy groups and minority communities.

**Vivian Tu** 00:12:13 Yes.

**Delyanne Barros** 00:12:13 It is just devastating these communities because you already have very limited income as it is. And if you're being asked to pay to work, that's a huge red flag.

**Vivian Tu** 00:12:27 Red flag.

**Delyanne Barros** 00:12:28 Right.

**Vivian Tu** 00:12:29 Yup.

**Delyanne Barros** 00:12:29 And what are some other red flags, you think, or phrases that would indicate that a business is a pyramid scheme?

**Vivian Tu** 00:12:35 I think a lot of the phrases are quite innocuous. Things like, Make \$1,000 a week from home, super easy, flexible, work from home, things like that. But I think the thing to look out for is when you notice the people who are in this pyramid scheme together are often the ones hyping each other up on social media. They essentially help to pump up and promote each other's sales. So definitely just watch out for, I would say, almost cult-like behavior. There's so many things to look out for but a big one is when people reach out to you unsolicited and offer that. Why would someone feel so compelled to randomly offer you a job? In particular in an industry that you may or may not have ever worked in before. I worked on Wall Street. I worked in tech. I've had people reach out to me on Facebook Messenger saying I should sell lip gloss. What would make you think I would be good at that?

**Delyanne Barros** 00:13:40 Right.

**Vivian Tu** 00:13:41 Like, typically, I just say, does it pass the sniff test? If anything, about an interaction feels or smells weird, I would take an extra moment to evaluate whether or not it feels legit.

00:13:52

**Delyanne Barros**

So I agree with you. You know, once again, listen to your gut. These things are usually very obvious. And if something sounds like it's too good to be true, it is. We're going to take a short break, but when we come back, we'll talk about some products that may cost more than they're worth despite the flashy marketing. Welcome back to Diversifying. I'm here with Vivian Tu. She's the woman behind the wildly successful personal finance platform, Your Rich BFF Media. And I asked her about a personal finance product that I've seen sold all over social media, and it really frustrates me. Alright. Well, let's now pivot to another scam that I've talked about. You've talked about. I've seen more and more people talk about in the personal finance space, which I'm glad. Life insurance.

00:14:52

**Vivian Tu**

I knew this was coming.

00:14:54

**Delyanne Barros**

Okay. And to be very, very specific, we are not talking about term life insurance, although I'm going to put a little asterisks here. I have seen some sketchy marketing tactics around term life insurance as well. So be careful on that. But the product term life insurance I don't have a problem with. You know, on its face. Term life insurance is an inexpensive product, should be something like 20 to \$40 a month. It is life insurance that you purchase if somebody is dependent on your income and it ends, right, there is a term for it. So you can buy a ten year policy or a 20 year policy. 30 year policy. It is basically like a death benefit. So if you pass away, your beneficiary will get a payment and that's it. Very, very simple product. But of course, the financial industry doesn't like anything simple. So they went and created these other crazy products that mix investing with insurance.

00:15:53

**Vivian Tu**

Yeah, whole life insurance is essentially a blend of term life insurance as well as a potential investment. We'll call it that, quote unquote.

00:16:04

**Delyanne Barros**

And that's where we get into trouble, right? So how many names do you know off the top of your head, Vivian, for this product that I'm talking about. Go.

00:16:18

**Vivian Tu**

Broadly speaking, we got whole life insurance. We've got indexed universal life. You've got MPI. I don't even know. That's a very key one that you and I both hate, but I don't - Maximum premium indexing. Like, what does that even mean? That's like three words that you just put together.

00:16:35

**Delyanne Barros**

It's like word salad.

00:16:36

**Vivian Tu**

Word salad. Like you just put some words together and hope people would buy it. And those are probably the top three that I think of.

00:16:43

**Delyanne Barros**

Also, self banking.

00:16:45

**Vivian Tu**

Oh. Oh.

00:16:47

**Delyanne Barros**

Infinity bang.

00:16:48

**Vivian Tu**

Yes. Like, you know, your own bank, your family bank.

00:16:52

**Delyanne Barros**

Exactly. Be your own bank. I'm like, What?

00:16:56

**Vivian Tu**

Yeah.

00:16:57

**Delyanne Barros**

What is this? What is this? So my issue with it is that for 99% of people who are out there, this is not a good fit. So it's not that the product in and of itself is terrible. It's terrible for most people.

00:17:13

**Vivian Tu**

Correct.

00:17:13

**Delyanne Barros**

And it's being sold as if it's a good fit for 99% of people.

00:17:18

**Vivian Tu**

Yup.

00:17:20

**Delyanne Barros**

So talk to us about who do you think is a good fit for whole life insurance?

00:17:24

**Vivian Tu**

I think people who are very high net worth will find that whole life may be beneficial. Not only do you get that death benefit you mentioned earlier, that comes with term life, but there is a cash benefit as well that builds the longer you have this policy. What people don't recognize is that this cash value builds quite slowly and in significantly lower returns than you would get in the stock market. The reason why it works for people who have incredibly high net worth is because they already have money in the stock market. They already have money in riskier investments. They are okay to get four to 5% returns, maybe even less on a whole life product. However, if you have limited income every month and you are not super-uper wealthy, you need to make the most of your money. And whole life is not the best way to do that because why get four or 5% returns from life insurance when the S&P 500 just as an index has returned 10% since its inception annually? So if you invest in S&P over 40 years, your returns are going to be so much larger than if you had purchased whole life.

00:18:44

**Delyanne Barros**

The other red flag I always say around this topic is if somebody has to crap on 401ks, IRAs, things that are tried and true and work in order to sell their product, that is a huge red flag.

00:18:57

**Vivian Tu**

Agreed. Especially when knowing that many 401k plans have employer match, which is very literally free money. If you have dollar for dollar match, you put in \$1. Oh, it's \$2. That's not going to happen through whole life insurance.

00:19:18

**Delyanne Barros**

Okay. Next up. Another one that infuriates me and I'm sure it does for you too. Payday loans.

00:19:25

**Vivian Tu**

Yup.

00:19:25

**Delyanne Barros**

So payday loans is if you're in need of quick cash and you can't borrow money from friends or get a loan from a bank. People will go basically to what's essentially a loan shark and say, Hey, I wanna pay advance on my paycheck. And they will happily do that and charge you some exorbitant, crazy interest rate. So, Vivian, tell me, you know, what your thoughts are on this, because I know you you don't necessarily think they're a scam, but you do think they're problematic.

00:19:58

**Vivian Tu**

Deeply. So they operate within the confines of standard banking. It is a loan. In the same way that your credit card is a revolving line of credit. But payday loan offices are historically and oftentimes placed in black and brown neighborhoods. They are targeted to working class communities. And the worst part is, is that they they are predatory. They prey upon people who are in dire straits to make a certain payment, whether that be paying for groceries, to put food on their table, to feed their families, paying their rent or making a payment for debt or their car. These are true necessities that people need to pay for and they are charging sometimes upwards of 50% interest. So that's like me saying, Hey, Delyanne, can you lend me \$100 for a week? And I come back a week later with \$100 bill and I'm like here, here's your like \$100 back. And you're like, No, no, no. You owe me \$150. Where am I supposed to get that \$50 from if I needed to borrow that \$100 in the first place?

00:21:10

**Delyanne Barros**

Just a quick note here. Vivian's right. The interest that these payday loans typically charge is outrageous. Some of these lenders go even further and can charge up to 400% interest.

00:21:23

**Vivian Tu**

It is so messed up that this product is not - there's no huge label, like, in the same way that we put labels on cigarette boxes, we need to put labels on predatory financial products so that people know, Hey, if there is any other alternative to this, it's better than getting an interest rate of 50 to 100% for a very short term.

00:21:53

**Delyanne Barros**

Yeah, it's wild. Like the bar to take out a payday loan is almost nonexistent and they do that intentionally, right? You basically just need an I.D., a pay stub, and some bank account to, like, deposit the money in. Boom. They're gonna approve it. So it's intentionally easy so that they can trap you. And we're not realizing how much they are keeping people stuck in a cycle of debt and poverty. And that makes it so much harder for them to, quote unquote, pull themselves up by their bootstrap. Most Americans are living paycheck to paycheck and you know, when it's that dire that you're going to get evicted, you're going to get foreclosed on, I understand. I don't judge people for taking on these kind of loans. I, if I was in the same situation, I would do it, too. I am criticizing the industry and not the people, right, who have to unfortunately use these products. Alright. I know we covered a lot today. Phone and social scams, pyramid schemes, payday loans and insurance. Fortunately, Vivian brought the money gems with her. Let's recap.

00:23:09

**Vivian Tu**

First and foremost, always go with a double gut check. Does it pass the sniff test? If it feels a little too good to be true, it probably is.

00:23:19

**Delyanne Barros**

I agree. Really run your numbers. Most of the time there is another alternative and I would rather you use your energy and your time and your creativity and your skill, because everybody has skills to launch your own business or to even do like a side hustle instead of pouring your energy into something like an MLM or a company that's just going to exploit you in the long run because there is no such thing as easy money.

00:23:47

**Vivian Tu**

Nope. And then be really certain people are who they say they are. Whether that be somebody reaching out saying they are your credit card company. Hang up on them. Call your actual credit card company to confirm it. Or if somebody reaches out to you saying that they're Delyanne or that they're Vivian. Double check their profile. Is the handle right? Do they actually have the follower count that they're supposed to have? Are they reaching out to you trying to sell you on some sort of trading course or some sort of crypto mining course or like whatever they're trying to sell? We don't do that.

00:24:21

**Delyanne Barros**

No. Never have. Never will. Please don't ever, ever fall for those and yeah. We are like the anti hype people. Okay, if something sounds like hype, it's not us. So don't fall for the fake hype. But again, I think the best thing is to take a breath. Don't do anything. Don't react. Go talk to somebody. Go do a gut check with somebody else and do some research before you send anybody your personal information, money, anything. Thank you to Vivian for coming on the show and sharing her hot takes with our listeners. Sadly, I have received many messages from my community with heartbreaking stories about people scammed out of thousands of dollars. Unfortunately, there's very little you can do in those situations. So the best tactic here is to be vigilant and skeptical, especially when you're buying something online or if you're getting a lot of pressure to make a financial decision on the spot. The old saying is a throwback, but still relevant for a reason: if it sounds like it's too good to be true, that's because it is. Stay safe out there, friends. Here's where I normally plug the next episode, but the Diversifying Team is taking a much deserved summer break. So instead of new episodes for the next two weeks, we're going to share some of our favorite podcasts with you. We hope you love them as much as we do. We'll be back with a new episode on August 15th. Until then, happy listening. Diversifying is a production of CNN Audio. Megan Marcus is our Executive Producer and Haley Thomas is our Senior Producer. Our producers are Alex Stern and Eryn Mathewson. Our associate producers are Charis Satchell and Rafe Fariha and our production assistant is Eden Getachew. Our intern is Kendall Parks. Mixing and sound design by Francisco Monroy. Artwork designed by Brett Ferdock. Original Music by Andrew Eapen. Our technical director is Dan Dzula. Rafeena Ahmad leads our audience strategy. With support from Chip Grabow, Steve Kiehl, Anissa Gray, Abbie Fentress Swanson, Tameeka Ballance-Kolasny, Lindsay Abrams, Lisa Namerow, and Courtney Coupe. I'm Delyanne Barros. Thanks for listening.