

# Activity 9.1

## Spot the Red Flag

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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**Introduction**

Anyone can take advantage of you financially—businesses, hackers, and even the people you hire to handle your money. The Certified Financial Planners (CFP) Board reports that 30 million Americans are victims of consumer fraud each year. And in a survey, six out of ten people knew someone who had experienced fraud from a financial planner. The CFP issued a financial self-defense guide to help consumers be aware of red flags or those situations that require more investigation or action on your part.

**Directions**

Read the following scenarios from *The CFP Board’s Consumer Guide to Financial Self-Defense*, at [www.cfp.net](http://www.cfp.net). State what the “red flag” (indication that something is wrong) is and what the consumer should do or should have done in each situation.

- 1. An advisor attracts business by claiming to be retired military, a CFP® professional, and even a Director of the CFP Board’s Board of Directors. Clients discover that none of these claims are legitimate, but only after they’ve been taken advantage of.

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- 2. An advisor completes a form to roll over his client’s retirement plan to an IRA. The advisor incorrectly describes the client as no longer working for the employer who set up the plan. The mistake renders the transfer ineligible for rollover, and the client may be required to pay income tax on the account balance.

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- 3. An advisor offers a client an opportunity to earn a preferred interest rate. The catch: the “opportunity” involves lending money to the advisor himself.

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4. A client receives statements only from his advisor. Later, he is horrified to learn that the advisor is going to prison for fraud.

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5. An advisor talks a client into lending her money. Later she declares bankruptcy, and the client has little chance of collecting the debt.

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6. An advisor convinces a recent widow to invest her \$350,000 death benefit in a variable life insurance policy. Her greatest need, however, is not insurance but cash—cash that’s now tied up in the insurance policy.

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7. An advisor consistently sells variable annuities to seniors with the promise of no loss of the funds invested and a high return. Seniors hear all the advantages—an income stream they can’t outlive, guaranteed death benefits, high yield—and sign up. The advisor, however, doesn’t tell them about the steep surrender charges and limited options for distribution. More often than not, the annuity turns out to be a bad fit for the investor.

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8. An advisor invites clients to a free dinner and seminar. The resulting sense of social obligation created an implied pressure to sign up for the advisor’s “limited time only” investment.

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9. At the suggestion of his advisor, a client buys an insurance policy with an extravagant premium—nearly half the client’s annual income! The client has no beneficiaries and doesn’t need the insurance for estate planning. What triggered the decision to buy? The advisor recommends the policy as a “tax-free investment” likely to perform better than other investment options.

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10. A client had never heard of the companies he held as individual stocks in his advisor-managed portfolio. He discovered this only after incurring substantial losses.

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## Activity 9.2

### Advertising Persuasion

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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#### ***Introduction***

Advertising is everywhere. It's found on television, in movie theaters, newspapers, magazines, mail, websites, and along streets. While advertising often provides information about products and services, its main purpose is to persuade and motivate people to buy.

#### ***Directions***

Find an example of each of the following advertisements. On a separate sheet of paper, write a summary on each advertisement, explaining who the target audience is and why the specific type of advertising appeal works.

1. Star power — endorsement by a well-known celebrity
2. Facts and figures — uses data and statistics to make a point
3. Heartstrings — plays on your sentiments
4. Hidden fears — exploits common fears and insecurities
5. Puffery — exaggerated descriptions or claims
6. Testimonial — gives the appearance of personal experience
7. Bandwagon — suggests that everyone has this or does this
8. Secret — suggests a magic or secret ingredient
9. Plain folks — person “talks” to audience as a regular person
10. Perfect people — portrays perfect people with perfect lives that consumers will want

# Activity 9.3 Letter of Complaint

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

**Introduction**

Consumers are entitled to safe, quality products and services. However, sometimes that doesn't happen. The first step is always to make a complaint. Often you are able to bring your receipt and product back to the store for an exchange or a refund. Sometimes circumstances or store policies make a simple return impossible. The next step is to write a letter of complaint.

Consumer complaints should explain the problem clearly and to the point. Copies of receipts should be included in any letter. **Do not send the original receipt.** Keep a copy of everything. If you don't get the results you want from your first letter, you may need to contact someone higher in the company or a governmental office that investigates complaints.

Examples of Consumer Complaint letters:

1234 Main Street  
Anywhere, OK 730\_\_

July 25, 20\_\_

Quincy Ellis, President  
Shoes & More  
131 May Ave.  
Oklahoma City, OK 731\_\_

Dear Mr. Ellis:

On July 15, I bought a pair of Nike Trainers from your Anytown Mall location.

Unfortunately, your product has not performed well as the sole to one of the shoes is coming unglued and the other shoe has an uneven sole. These are not the "best running shoes" I will ever own as you advertised.

To resolve the problem, I would appreciate being able to exchange these shoes for a different kind. Enclosed is a copy of my sales receipt.

I hope we can resolve this matter by August 20th. I look forward to your reply. Please contact me at the above address or by phone at (580) 555-9746.

Sincerely,

Maria Jones

Enclosure(s)

Example 2:

777 Washington Blvd.  
Anytown, OK 747\_\_

January 2, 20\_\_

Christina Alvarez  
Customer Service  
SMN Manufacturing  
P.O. 25345  
Chicago, IL 55555

Dear Ms. Alvarez:

On December 25th, I received a gift of the Model 365C sewing machine.

I began using the sewing machine immediately. I was particularly interested in the variety of decorative stitches programmed into the machine. The user guide also states that I can create my own stitch designs and program them into the memory, but the machine refuses to do this.

I reported the problem to the store personnel, who referred me to your company's tech support hotline. I spoke with Howard Mazier on January 30. He gave me the same instructions on the phone as I had followed in the user guide. Therefore, he was unable to resolve the issue either. He suggested that I just create my design and not worry about saving it or I could arrange for a technician at a minimum cost of \$50.

Neither of these options are agreeable to me. I request that SMN Manufacturing either repair this machine under its existing warranty or replace it with a new one.

Please respond by January 31st on how SMN Manufacturing plans to resolve this matter. If I do not hear from you by then, I will arrange for third-party assistance. Please contact me at the above address or at (918) 555-2321.

Sincerely,

Latisha Meadows

Enclosure(s)

**Addressed to:**

**Describe purchase**

**Problem**

**Proposed solution**

**Deadline for action**

### ***Directions***

Study the examples of consumer complaint letters, then review the scenarios that follow. Pick one and write a letter of complaint.

Consumers have the right to redress when a product or service does not meet expectations. Redress means that you have the right to complain and to receive a response from a manufacturer or business. The following are three scenarios of people affected by poor service or products. Pick **one** and write a consumer complaint letter.

1. Joshua purchased a smart phone six months ago. He has a one-year warranty. Several times he has been unable to receive text messages sent to him. When he took the phone back to the phone service provider, the customer technician took the battery out and put it back in. Once this was done, Joshua was able to receive text messages. Unfortunately, this has happened three more times. When he removes the battery and puts it back in, his text messaging will work for awhile, but he has to reset his voicemail and other features. Joshua wants a new phone.
2. Ana received a haircut and color at a new salon that opened in town. The salon's promotion was that every customer would be satisfied or receive a refund. Ana asked for auburn highlights in her chestnut-color hair, but instead the highlights are a strawberry blonde color. Since this isn't what Ana asked for, she would like a refund.
3. Janey purchased a new oven for her catering business. She used the same type of oven in culinary school with much success. Although the oven works, the food cooks unevenly. Janey has to make constant adjustments in cooking time and temperatures that are time-consuming and frustrating. They are also having an impact on her business. Janey believes the oven is faulty and wants it replaced.

## Activity 9.4

### Unit Review Crossword

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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#### *Clues*

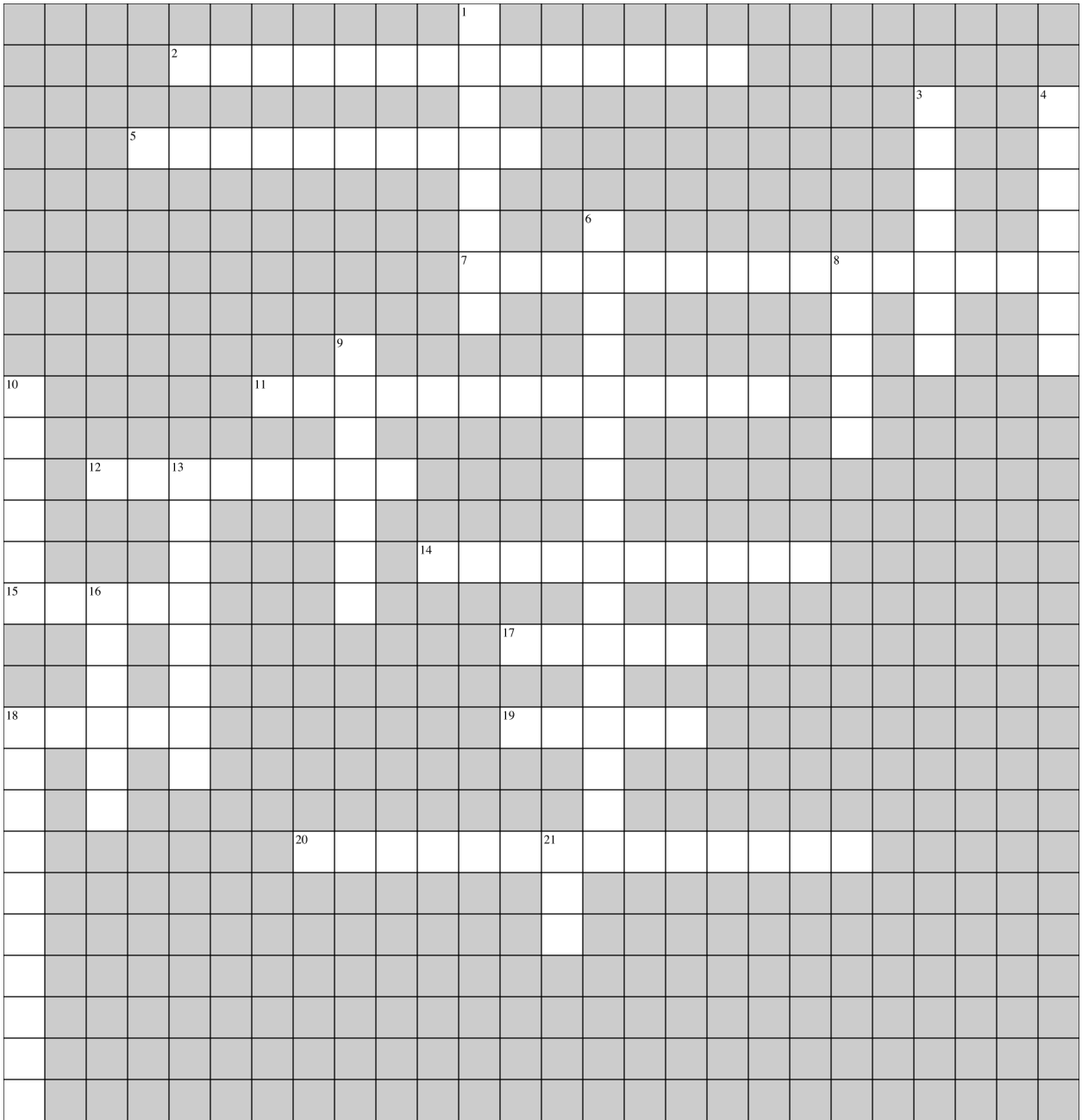
#### **Across**

2. A number that thieves like to get from people
5. Consumer fraud gimmicks that affect the most people
7. Oklahoma state office that processes consumer complaints
11. Fraud that damages credit history and reputation
12. Websites and emails that look authentic, but aren't
14. Using misrepresentation to gain private information from financial institutions
15. Number of credit bureaus that give free annual credit reports
17. Secure URL
18. Second word in FTC
19. Consumer trickery
20. The "Better" private consumer protection agency

#### **Down**

1. Information that thieves look for
3. Exaggerated claims in advertising
4. Type of purchase that you usually regret later
6. Made with stolen credit card numbers
8. No-risk investments don't \_\_\_\_\_.
9. President who first initiated Consumer Bill of Rights
10. Fair \_\_\_\_\_ Reporting Act
13. Type of fraud handled by the IC3
16. An incentive to buy
18. A credit bureau
21. Number of consumer rights





EclipseCrossword.com