News Release

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FINRA Foundation Research Reveals Gaps in Fraud Awareness That May Leave Americans Vulnerable

WASHINGTON—A new report released today by the FINRA Investor Education Foundation (FINRA Foundation) reveals troubling knowledge gaps that may leave millions of Americans vulnerable to victimization as financial fraud losses near $200 billion annually. The report, entitled Patterns in Fraud Awareness: What Comes to Mind When Americans Think About Financial Fraud, finds that even the most recognized fraud category—identity-based fraud—was top-of-mind for only half of Americans.

The research was conducted in collaboration with RAND, a nonprofit research organization that develops solutions to public policy challenges. In the study, respondents were asked to list common schemes or tactics fraudsters use, exposing potential gaps in awareness. The research suggests that while people who did not mention a fraud type may still be aware of it, the fact that these schemes are not top-of-mind could leave them vulnerable to fraud.

"This new research exposes a knowledge gap that fraudsters actively exploit. However, it also shows that Americans with higher financial literacy were better able to identify fraud, and that awareness of certain fraud schemes was associated with avoiding losses," said FINRA Foundation President Christine Kieffer. "Understanding which types of fraud are top-of-mind for consumers and which are lesser-known is important for developing effective fraud prevention education, strategies and tactics that address both familiar and emerging schemes. This is an area of focus at FINRA and the FINRA Foundation every day."

In a nationally representative survey of 1,509 U.S. adults, the research asked Americans to describe fraud schemes or tactics in their own words without providing any predefined categories, measuring not just whether people know about fraud, but what they are primed to think about when unprompted. These responses were classified into five broad categories: consumer-based (fake or misrepresented products/services), opportunity-based (false promises of money or reward), threat-based (scams using fear to pressure quick action), imposter-based (posing as a trusted person or entity) and identity-based fraud (scams where personal information is stolen or misused). The research reveals which types of fraud are top-of-mind for Americans, and which are flying under the radar.

Key Findings include:

- **Limited awareness of common fraud types:** Only 50% of respondents mentioned identity-based fraud when asked to describe common schemes. Far fewer mentioned threat-based fraud (20%), opportunity-based fraud (17%), consumer-based fraud (16%) and imposter-based fraud (14%).

- **Fraud awareness varied across populations:** Fraud awareness varied by demographics, but not uniformly. Adults under 40 were far less likely to mention consumer-based fraud than older adults (7% vs. 21%). Hispanic respondents were less likely to mention identity-based fraud than white respondents (38% vs. 52%). Lower-income respondents were half as likely to mention threat-based fraud as those earning $50,000 or more (12% vs. 24%).

- **Financial literacy linked to greater fraud awareness:** As part of the survey, respondents were given a financial literacy quiz to determine their understanding of key financial topics like interest rates, inflation and risk diversification. Each additional correct answer on a financial literacy quiz increased respondents' likelihood of mentioning nearly all fraud types.

- **Fraud awareness tied to different outcomes:** Respondents who mentioned imposter-based and identity-based fraud were more likely to report being targeted by a fraudster. Knowing about threat-based fraud appears to pay off: those who mentioned it were less likely to report losing money to a scam.

About the FINRA Investor Education Foundation

The FINRA Investor Education Foundation supports innovative research and educational projects that empower Americans with the knowledge, skills and tools to make sound financial decisions throughout their lives. For more information about FINRA Foundation research and education initiatives, visit www.finrafoundation.org.

About FINRA

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. FINRA regulates one critical part of the securities industry—member brokerage firms doing business in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.finra.org.