

# Exposed to Scams

CAN CHALLENGING  
CONSUMERS' BELIEFS  
PROTECT THEM  
FROM FRAUD?

# Exposed to Scams

## CAN CHALLENGING CONSUMERS' BELIEFS PROTECT THEM FROM FRAUD?

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\* *The views expressed in this report are Ms. Fletcher's own and not necessarily those of the Federal Trade Commission or any individual Commissioner.*



## Summary

In 2017, the FINRA Investor Education Foundation (FINRA Foundation) joined with the Better Business Bureau (BBB) Institute for Marketplace Trust<sup>SM</sup> and the Stanford Center on Longevity to launch a two-year study of how people react to attempted financial scams. We wanted to know: why do some people lose money to fraud while others do not?

For purposes of this study, researchers defined a scam as an attempt to separate people from their money through deceptive acts. A victim was defined as someone who lost money in a scam.

The study was conducted in two parts: an interview phase followed by a survey phase. Results of the survey portion were documented in the 2019 paper, *Exposed to Scams: What Separates Victims from Non-Victims?*

This paper covers what researchers learned from in-depth, in-person interviews with 17 people who recounted their experiences with fraud attempts. Ten individuals lost money to scams while seven did not.

Based on findings from these interviews, researchers defined four mental frames — or default ways of thinking about the world — that appeared to play a strong role in the way interviewees perceived fraud attempts and whether or not they lost money to scams.

This paper describes how mental frames may have made some interviewees more susceptible to fraud. It also describes how mental frames are constructed from what we learn, both in school and in social experiences. Implications for consumer education and prevention programs are also discussed.



# Background and Methodology

Study participants were drawn from a pool of people who had filed reports with *BBB Scam Tracker<sup>SM</sup>*, an online fraud reporting tool of the Better Business Bureau®. Researchers also interviewed two people who had perpetrated a widespread government impostor fraud known as the IRS scam.<sup>1</sup>

Researchers gathered study data throughout 2017 and 2018. Most interviews were conducted in person at the interviewee's home or a nearby location. For logistical reasons, two interviews were conducted via Skype.

Interviews lasted one to two hours, and participants were compensated for their time. Metro Tribal, LLC, an ethnographic-based social insight firm, conducted the interviews.

*Ethnography* involves the study and description of group culture and how it affects the way individuals see and interact with the world. In this study, interviewers used an ethnographic approach to uncover the beliefs, values and attitudes that might drive the behavior of interviewees.

Applied ethnographic work follows the assumption that humans construct their own sense of reality through social interactions, and that they respond to the world based on this construction (Geertz, 1973). In other words, we see the world and everything in it through the lens of our experiences and the ways other people explain things to us. Often, these explanations are carefully shaped to support cultural foundations shared by a family or group.

In this way, the various aspects of our lives become symbols laden with meaning (Blumer, 1969). This mapping of the world and the meaning of all phenomena around us are codified in *narratives* — inner stories that consistently inform our thinking (Fisher, 1987; Beach, 2010; Beach, Bissell, and Wise, 2016).

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<sup>1</sup> The scammers were featured in a January 3, 2017 *New York Times* article, [\*India's Call-Center Talents Put to a Criminal Use: Swindling Americans.\*](#)

## BACKGROUND AND METHODOLOGY

Ethnographic work is designed to uncover the human worldview, the meaning humans place on things, and the narratives they tell themselves about how the world works. Narratives represent the beliefs, values, and norms we reference when we're faced with new ideas and experiences.

In observing the 17 interviewees who took part in this study, researchers listened for the narratives that guided interviewees' behavior. Were they drawn into the scam, or did they withdraw from it? What happened and why?

Not surprisingly, the study found that interviewees engaged with scammers for multiple reasons. This paper offers the hypothesis that mental frames may determine how and why some people lose money to fraud.

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Mental frames may determine  
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# What Are Mental Frames? How Do They Work?

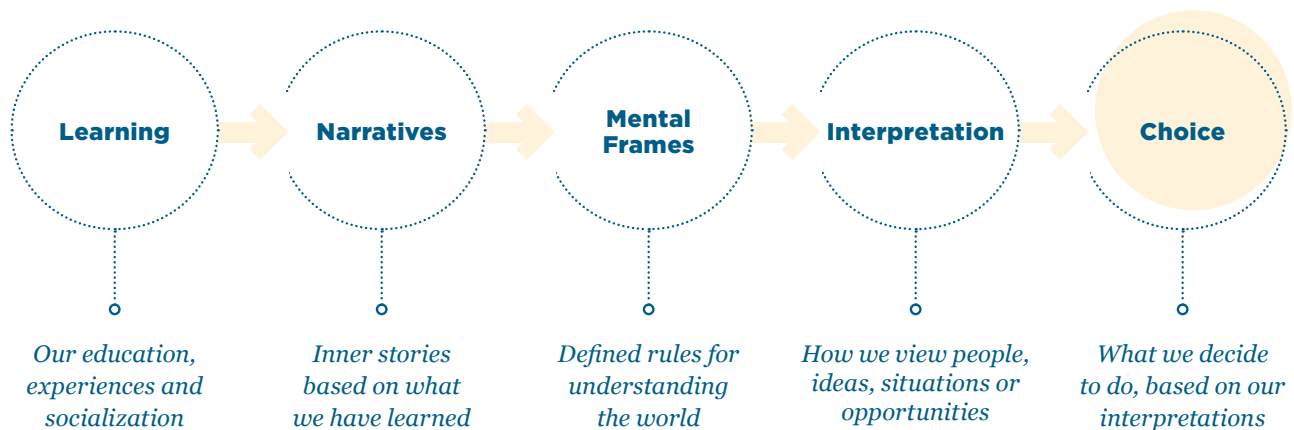
All human learning, whether formal or informal, is socially based. Our response to life events is shaped by our perception of reality, which reflects what we have learned from our schooling, our experiences and our interactions with others.

The narratives we hold — whether subconsciously or consciously — guide our thinking and our reactions to money, people, power, authority and other aspects of life. Broader narratives that help us understand the world around us may also determine whether we will resist a financial scam or lose money to one.

Narratives have the power to guide our actions because they define, and even dramatize, the most likely causes of our actions. If we tell ourselves the world works in a certain way, or that the world has been shaped by certain circumstances, we will take actions that align with our inner narrative.

This explains how our narratives become powerful mental frames that help us evaluate situations and make choices. These mental frames create a set of rules that direct our decisions and behavior.

## How Mental Frames Are Formed - and How They Guide Us





# Mental Frames and Financial Fraud

The interview segment of this study was designed to identify the mental frames that may cause people to lose money to financial fraudsters. Researchers wondered, for example, if certain mental frames might lead people to overlook red flags and inconsistencies in a scammer's appeal. Similarly, they wondered if mental frames could protect individuals by motivating them to question the situation or reject the scammer's pitch from the very beginning.

Four specific concepts that researchers believe acted as mental frames are described below. Variations in the frames may account for differences in the way that participants ultimately reacted to scammers.

Mental frames, though driven by our narratives about how the world works, are subject to change (Walton & Wilson, 2018). This offers hope that interventions can be developed to protect consumers from losing money to scammers.

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### Mental Frames that Help Us Evaluate Financial Opportunities

#### COMPLIANCE

At various points in our lives, most of us feel the need to comply with requests, commands, rules or regulations. Whether we're completing school assignments, performing job tasks, following speed limits or paying taxes, we are responding to cultural norms that urge us to fulfill our obligations as citizens.

Clearly, though, some people place a higher value on compliance than others. Their compliance mental frame may prompt them to fulfill obligations to avoid shame or earn social rewards.

Others may hold mental frames that suggest compliance is futile or even dangerous, based on the belief that authority figures hold power without accountability. For them, compliance may represent complicity with corrupt leaders.

Still others may work from mental frames that suggest compliance is optional and can potentially lead us to lose our freedoms. In this case, resistance to the wrongful use of authority seems both necessary and righteous. People working from these mental frames will not show the same level of deference to authority. In fact, they may feel that compliance is optional.

#### OPPORTUNITY

This mental frame defines what an individual believes about the ways wealth is created and acquired. For example, one kind of mental frame may suggest that wealth is gained mainly by luck. This might lead people to seek out and act on what they perceive as "lucky breaks" that could lead to financial gain.

The notion that wealth is a zero-sum game with clear winners and losers may also make seizing upon the "right" opportunities a clear goal.



## MENTAL FRAMES AND FINANCIAL FRAUD

Inexperience with investments or low levels of financial literacy may foster this kind of mental frame.

An alternate mental frame is that wealth is earned through a combination of hard work and informed decisions. People who see the world this way may feel that wealth is infinite and available to anyone willing to pursue it.

Most people probably hold a perspective somewhere in between these two interpretations, understanding wealth as a mixture of hard work, intelligent decisions and luck — with luck encompassing factors such as race, social class, educational opportunity and other factors that may be present at birth.

An opportunity mental frame that sees wealth as dependent on luck may make people more open to unexpected or sudden opportunities that seem to promise financial gain. If the person's mental frame also includes a zero-sum view of wealth, there may be an even stronger incentive to engage with scammers who offer financial gains.



### INTELLIGENCE

In the hierarchy of human survival traits, intelligence is often as important as physical strength. Clearly, the ability to make sound decisions and grasp the deeper meaning of events is crucial to our well-being.

In social interactions, people may worry that they will appear to lack intelligence. They are guided by a narrative that urges them to appear smart to preserve their social status.

In some mental frames, intelligence seems so important that we should be ready to display our intelligence whenever needed. From this point of view, asking questions or checking with others might suggest a lack of intelligence. Overconfidence — a quality that often hampers sound financial decision-making — could be the result. This, in turn, could increase susceptibility to fraud.

An alternative mental frame is that one *gains* intelligence (and therefore advantage) by remaining open to learning. Someone living with this mental

## MENTAL FRAMES AND FINANCIAL FRAUD

frame will not pretend to know everything but will instead seek out new facts without feeling ashamed. While these individuals still agree that intelligence is crucial for survival and success, they believe that intelligent people seek fresh knowledge at every opportunity.

This has clear implications for scammers. People working from a mental frame that prompts them to feign intelligence on issues they know little about may be more likely to listen to a scammer's pitch. By contrast, those who see intelligence as a matter of continuous learning may be apt to ask questions and carefully evaluate what they hear. They believe that being inquisitive is a smart habit — which may make them less susceptible to a scammer's promises.



### ORDER

The order mental frame may be one of the most fundamental frames in terms of culture and its influence on our thoughts and actions. This frame may be built on deep, subconscious assumptions that drive many forms of social behavior.

In essence, this mental frame suggests that there is an inherent and natural order that guides the universe. Good will be rewarded and evil punished — or, as we often hear, “what goes around, comes around.” This belief is sometimes called the *just-world fallacy*.

Individuals whose mental frames inspire them to believe in a just, orderly world may be more trusting of others. They may believe that people generally act in a moral way, and that when they do not, their behavior will be swiftly corrected, and order restored.

A different mental frame might suggest that there is no guarantee of order or justice in the world. Instead, individuals are responsible for determining outcomes in their lives, whether good or bad. This frame suggests that we must each take responsibility for our own fate. “Universal forces” or “divine fate,” if they exist at all, are neutral.

## MENTAL FRAMES AND FINANCIAL FRAUD

Often, part of the order mental frame is the desire to believe that good things actually do happen to good people — and that good individuals are protected from harm they don't deserve. People who believe in a just world may ignore the warnings of those who tell them that a financial opportunity seems too good to be true. When this optimism is paired with a mental frame that suggests wealth is a zero-sum game, the individual may have trouble seeing the warning signs of a scam.

These four mental frames play out in different ways in different people. One frame may take precedence over the others, or the effects of two or three mental frames may come together to influence the individual's response to the scam.

## MENTAL FRAMES AND FINANCIAL FRAUD

### Which attitudes make people more susceptible to financial loss?

#### BELIEFS MORE LIKELY TO LEAD TO FINANCIAL LOSS

Authority and institutions yield power over the individual.

Authorities can enact sanctions and limit the freedoms of individuals.

#### COMPLIANCE

#### BELIEFS LESS LIKELY TO LEAD TO FINANCIAL LOSS

Individuals grant powers to institutions that give them authority.

Individuals have the right to question what authorities do and say.

Wealth is built on random opportunities.

Wealth is a zero-sum game, with clear winners and losers.

#### OPPORTUNITY

Wealth is built through work and/or privilege that creates opportunity.

Opportunities are not limited and can be earned and worked for.

Not knowing the answers causes shame and reduces an individual's status.

Perceived lack of intelligence can affect an individual's sense of power and impact.

#### INTELLIGENCE

Not knowing the answers does not suggest that a person lacks intelligence.

Asking questions is a form of learning, which in turn leads to power, status and the appearance of confidence and intelligence.

The natural order of things is benevolent and just.

Individuals who do good will be rewarded and those who do bad will be punished.

#### ORDER

The natural order of things is neutral.

Individuals are empowered to decide outcomes in their lives.

# Scammers Reveal How the Con Works

As part of this study, researchers interviewed Jayesh and Pawan, two young men living in India who had impersonated IRS officials as part of an ongoing fraud scheme.

They were just 18 years old when an unknown recruiter reached out with an exciting job opportunity. Lured by promises of a generous salary plus commission, the two men began a 40-day stint at a call center near Mumbai. Job training included learning a script that had proven effective in defrauding Americans living thousands of miles away.

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Their employer used what they reported as a “voicemail blaster” to leave some 50,000 pre-recorded messages each day.

By their tenth day on the job, Jayesh and Pawan report they had already conned targets out of \$57,000. Their employer used what they reported as a “voicemail blaster” to leave some 50,000 pre-recorded messages each day, threatening targets with legal action if they did not call back immediately.

Jayesh and Pawan said that 75% to 80% of the people who returned these calls simply cursed at them. But the remaining 20% to 25% who returned the calls did not dismiss the recorded threats. In effect, they became pre-screened targets for fraud. Jayesh said that most of the engaged targets sounded utterly “panicked.”

The scammers would launch rapid-fire questions at the targets. “First name? Last name? Zip code? Last four digits of your Social Security number? Do you have a pencil? Write down my name. Now, make a note of your file number.”

Phony badge numbers, official-sounding acronyms, and knowledge of home addresses the scammers easily found online all lent credence to their claims. “The audit department has audited you for the past five years and

## SCAMMERS REVEAL HOW THE CON WORKS

determined that there have been miscalculations,” Jayesh recalled telling targets. The only way to avoid a lawsuit was to pay up.

In the final phase of the con, Jayesh and Pawan directed targets to a nearby retailer, often a Walmart or CVS, where they were instructed to buy iTunes gift cards to pay their alleged tax debt. To isolate targets from store employees who might intervene, Jayesh and Pawan told them to remain on the line as they completed the purchase. “Keep a smile on your face,” they would say, “and if anyone asks you [why you are buying so many cards], tell them this is a gift for your family.” Unless an especially alert employee took notice and convinced them to hang up, these engaged targets lost money to the scam.

Jayesh and Pawan were ready with answers for every objection. For example, when people would assert that the IRS never contacts taxpayers by phone, they would say, “We are from the investigation department of the IRS and we have the complete authority to call.” People who questioned paying with iTunes cards were told that they had been “blacklisted” and therefore blocked from the IRS payment system because of the case against them. Others who asked if they could consult a friend about the matter were told, “You cannot discuss these things with a third party or your case will appear in public records.”

People who had heard about IRS scams were difficult to con, Jayesh and Pawan told the researchers. These were the ones who simply deleted the pre-recorded threats and cursed the scammers when they called them back.

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Ultimately, the scammers succeeded by arousing the fears of people who felt compelled to pay.

Ultimately, the scammers succeeded by arousing the fears of people who then felt compelled to pay. Jayesh told researchers he had discovered that many Americans “are scared of their government.” In his view, these people believed “there was no point in having a debate or any argument [with a government authority],” making them especially vulnerable to the IRS scam.



# The Interaction of Mental Frames and Fraud

## Tax Scams



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Tax scams usually begin with a phone call to the potential victim, claiming that back taxes are owed and must be paid within a certain time to avoid criminal arrest. Scammers, posing as government officials, may use false data that appears on caller ID screens, making the call seem legitimate.

Scammers do everything possible to create the impression that they are tax authorities with the power to bring charges against potential victims. If people do not know much about how the IRS operates, they may imagine the machinery of government grinding away, placing its full weight behind the goal of collecting back taxes and punishing violators.

Scammers usually direct would-be victims to nearby stores such as CVS or Walgreens, providing them with the address of the nearest location. Once there, they are asked to buy gift cards, then provide the scammer with the credentials to redeem the cards as “payment.”

Potential victims are drawn into a tighter and tighter circle of control. They may be asked not to hang up while traveling to the store or buying the gift cards, and not to explain to anyone what they are doing. The fact that scammers appear to have specific details about them — their tax information, phone number, and knowledge of stores near them — make the calls seem more authentic.

# Jackie's

## EXPERIENCE

Jackie,<sup>2</sup> a 19-year-old university student who had returned home for the summer, says the caller who reached out to her seemed credible, even though he initially asked to speak with “Shelby.”

Jackie told the caller he had the wrong name and gave her own name. He then reversed course, saying, “I’m actually calling for you, Jackie.” (Jackie explained that, for six months after that first call, someone left messages looking for “Shelby.”)

The caller told Jackie she owed back taxes and was subject to arrest. He provided her with addresses for drugstores near her home and told her to purchase iTunes cards in varying amounts and provide him with the card numbers. At no time was she to hang up or tell anyone what she was doing. Jackie stayed on the line and went to the nearest drugstore. At one point, the cashier asked Jackie if everything was all right because she sensed something was wrong. Convinced of the scammer’s power and authority over her, Jackie told the cashier she was just chatting with a friend.

Jackie’s experience, as she relates it, suggests an inner narrative built on certain assumptions and beliefs about the *need to comply*, as well as the way authority works in society. Her apparent lack of experience working with the IRS may have combined with her own beliefs that:

- She might have done something wrong.
- The IRS had the authority to arrest her.
- It’s embarrassing to reveal any ignorance of how the world works.

We note this as an interaction of the *compliance*, *intelligence*, and *order* mental frames outlined above. Fear of government and potential shame over non-compliance, paired with a belief that there is a just order to the world, may have caused Jackie to interpret the situation in a way that suggests she was in the wrong.

**View a segment of Jackie’s interview at  
[FINRAFoundation.org/ScamStories-Jackie](https://FINRAFoundation.org/ScamStories-Jackie)**

<sup>2</sup> The names of all interview subjects have been changed to protect their privacy.



## *Lauren's* EXPERIENCE

Another interviewee, Lauren, told researchers that she frequently gets calls and messages from people claiming they are from the IRS, threatening to have her arrested if she does not pay back taxes that same day.

Lauren's combination of experience with government agencies such as the IRS and her relaxed attitude toward compliance differs from Jackie's. In her interview, Lauren plainly said, "First of all, the IRS does not call and say they are going to arrest you. Second, nothing has to be done TODAY. There's always a process. . . I just hang up on people [when they make these claims]."

View a segment of Lauren's interview at  
[FINRAFoundation.org/ScamStories-Lauren](https://FINRAFoundation.org/ScamStories-Lauren)

### Fake Check Scams



Fake check scams usually involve a scammer presenting a would-be victim with a check for an amount greater than what is owed. This often happens in a situation in which the scammer is pretending to pay for goods or services performed.

The scammer first sends a check for more than the amount owed, then asks the recipient to use the excess funds to pay someone else. What the recipient doesn't know is that the check is fake. The scam works because banks are required to make check deposits available quickly, but it can take weeks to detect a fake. By this time, the victim will have sent payment to the other party. The bank can then take back the amount of the fake check, leaving the victim on the hook for the money they sent.

# *Karl's* EXPERIENCE

Karl relayed a story he had reported to BBB Scam Tracker. Explaining that he had trouble finding work at times, he said he was always open to employment opportunities that offered good pay. He spoke of earlier times in his career when he was highly valued for his skills in a thriving printing operation.

Karl had received several offers to do paid market research. He finally followed up on a legitimate-looking email message that said that he could earn money by evaluating the customer service he received while shopping in certain retail stores.

Karl accepted the offer and the company sent him a check for \$2,950. His assignment was to deposit the check, then quickly go to a series of Walmart stores and send Western Union money orders totaling \$2,600 to specific addresses provided by the company.

His new employer stressed that time was of the essence; Karl needed to fulfill the assignment as quickly as possible. After making the wire transfers, he was instructed to report back on the store employees' demeanor, helpfulness and so on. He was told to keep the remaining \$350 of the \$2,950 for himself.

At first, Karl was ecstatic. "I could make \$300 each time for about 10 minutes of work! They would keep sending me checks and new assignments as soon as I was done with the last one. I could make enough money doing this that I wouldn't need any other work."

Wondering if the offer might be too good to be true, Karl called his bank to see if the first check had cleared. The bank representative told him it had. He immediately went to two local Walmart stores and wired four payments of \$650 each to various addresses.

Karl notified the company that he had completed the first project and emailed his report. He felt good knowing that he had \$350 in the bank for work that was convenient for him and did not take long to complete.

## THE INTERACTION OF MENTAL FRAMES AND FRAUD

### *Karl's* EXPERIENCE

Before long, Karl discovered that his bank account had been debited for \$2,950, the full amount of the check he had deposited, which he thought had cleared. Bank representatives explained to him that the check was fraudulent.

In effect, Karl had wired \$2,600 of his own money to the other payees — nearly all the money left in his account. In recapping the experience, he laughed and faulted the bank: “I have to give [the scammers] their due; they were good! It was my bank that I blame. They should not have told me that the check had cleared.”

Karl's story highlights several factors that contribute to his experience:

- His need for income.
- His wish for “easy money.”
- His unfamiliarity with fake check scams.
- His belief that when the bank says funds are available, this means the check is confirmed as valid.
- His response to the time pressures placed on him by the scammers.

Karl's need for money as a driver of vulnerability to fraud aligned with what researchers heard in other interviews. Results from the Scam Tracker survey indicate that victims are more likely than non-victims to spend more money than they earn.

Beyond these factors, it is easy to see that the mental frame for *order* may have influenced Karl's decision-making, leading him to believe that banks and other institutions had safeguards in place that would protect him from virtually any form of fraud. This may have left him more vulnerable to scammers.

View a segment of Karl's interview at  
[FINRAFoundation.org/ScamStories-Karl](https://www.finrafoundation.org/ScamStories-Karl)

### *Tyler's* EXPERIENCE

We now turn to Tyler, who works as a swimming coach at a small college. He had received an email from a man asking if he could coach his high-school-aged son for several weeks during the summer. The son, a competitive swimmer, would be visiting his aunt in the area and would benefit from working with Tyler.

This was not an unusual request for Tyler, who frequently offered private coaching to various clients. What stood out was that the man wanted to pay Tyler far more than his usual fee. The man offered to pay by check and asked Tyler to send a portion of the funds via Western Union to his travel agent to cover the cost of an airplane ticket his son would need later that summer.

Tyler received the check. He was suspicious, since the request seemed odd, but the man explained that this arrangement made things easier for him. Tyler talked to his girlfriend and other friends about the situation, asking if he should deposit the check and fulfill the man's request. His friends convinced him that since he had the check in hand, he had nothing to lose.

Tyler deposited the check and, like Karl, he believed it was valid when the bank confirmed the money was credited to his account. The man had emphasized that his travel agent needed the funds immediately. Tyler went to a local store and attempted to wire the funds as requested. He was unable to do so, because a Western Union employee flagged the transaction as suspected fraud. After investigating, Western Union was able to link the address of the "travel agent" to previous fraudulent activity.

Tyler, despite his suspicions and his attempt to validate his thinking by consulting his friends, came close to losing money.<sup>3</sup> He was fortunate that Western Union's fraud detection protocols identified the scam before he lost money.

<sup>3</sup> Our prior survey research found that among respondents who engaged, those who chose not to discuss the solicitation with anyone while it was happening were significantly more likely to lose money, as were those who did not have anyone available to discuss it with.

## THE INTERACTION OF MENTAL FRAMES AND FRAUD

### *Tyler's* EXPERIENCE

Encouraging findings from the survey portion of this study show that someone intervenes in about 20% of all would-be scams. Study participants recounted receiving help from bank tellers, employees of wire transfer services and other financial services companies. For Tyler and others like him, this can be a vital last-minute line of defense against loss.

View a segment of Tyler's interview at [FINRAFoundation.org/ScamStories-Tyler](https://FINRAFoundation.org/ScamStories-Tyler)

## THE INTERACTION OF MENTAL FRAMES AND FRAUD

Looking at Tyler and Karl's experiences, it is clear that *opportunity* and *order* mental frames often interact in fake check scams related to offers of employment. Based on the mental frame for *opportunity*, both believed they should seize on chances to make fast, easy money. Contributing to the *order* frame is the common belief that if a bank makes funds available to a depositor, this must mean the check(s) deposited are legitimate. In bank parlance, the term "cleared" simply means the funds are available, but it does not guarantee that the check is not fraudulent.

For Tyler and Karl, news that their checks had cleared seemed like final confirmation that they could safely proceed. The notion of order in both instances may have been compounded by the notion that banks are precise and orderly. In the end, their beliefs made them more vulnerable to financial loss.

### Investment Scams



Investment scams come in many forms. Some involve direct solicitation for funding to support business ventures; others come in the form of fictitious investments being marketed by unregistered investment professionals.

What these scams appear to have in common is the convergence of three mental frames that influence the ways that people react.

For those drawn into investment scams, the *opportunity* mental frame spurs motivation to gain money by seizing an opportunity. If we believe wealth can be acquired by accepting a lucky break, and these breaks happen only rarely, we may feel an urgent need to take advantage of what seems like a great chance to gain financial ground.

## THE INTERACTION OF MENTAL FRAMES AND FRAUD

The *intelligence* mental frame may prompt individuals to skip due diligence, fearing they will appear less worldly and informed than others. Even people who are predisposed to ask questions may be overcome with the desire to seize an opportunity. They may feel so excited about the offer that they simply don't want to think more deeply or take in too many additional facts.

The *order* frame often encompasses a desire to believe that good opportunities do exist, that people are generally good, and that good intentions and sacrifice will always be rewarded (the just-world fallacy). This may predispose people to view financial offers as well-deserved gifts, or to trust individuals who are, in fact, not worthy of anyone's trust.



## Cynthia's EXPERIENCE

Cynthia had held many different types of jobs, including one role with a financial investment company. She lost her job at one point and, having some inherited funds, considered making investments in a couple of different businesses.

Through a series of disappointments, Cynthia learned that she had invested in shell companies set up for the express purpose of defrauding investors. Her explanation of what happened reveals the convergence of the mental frames referenced above.

**Intelligence:** When asked why she felt confidence in a particular investment, Cynthia said, "I know a great deal about [the product] and the industry."

**Opportunity and order:** When researchers asked why she continued after having such bad experiences, she replied, "I suppose I want to come out a winner ... I was too trusting of my fellow man."

View a segment of Cynthia's interview at  
[FINRAFoundation.org/ScamStories-Cynthia](https://FINRAFoundation.org/ScamStories-Cynthia)

## *Dani's* EXPERIENCE

Dani, who was expecting a child, believed that she could make money for herself and her baby by investing her tax refund wisely. She saw ads that convinced her that people were making good money with specific investments, which made her believe she could do the same (*opportunity*).

Dani felt protected by a general code of civility. After sending her money to investment scammers who did not respond to her calls, she disclosed that she was pregnant, believing that they would never take advantage of a mother-to-be (*order*). It was soon clear that she would never get her money back.

View a segment of Dani's interview at  
[FINRAFoundation.org/ScamStories-Dani](https://FINRAFoundation.org/ScamStories-Dani)



# Study Implications

In the qualitative phase of this research study, we explored the hypothesis that mental frames can affect susceptibility to fraud victimization.<sup>4</sup> Our interviews revealed four mental frames that were closely associated with the likelihood that individuals would lose money to financial scammers. These frameworks emerge from the core narratives we tell ourselves about the world and our place in the social order.

We are encouraged by these findings because we know that the *subjective construals* people hold — the meanings they assign to things and experiences — can be modified. Social psychologists have shown that even brief, simple exercises can change behavior, especially if the exercises target the subjective views and social norms that drive behavior.

For example, teaching students that intelligence is not a fixed trait but, instead, can be exercised and can grow like a muscle, may significantly increase academic achievement (Blackwell, Trzesniewski & Dweck, 2007). Another experiment with college freshmen showed that a one-hour exercise affirming that feelings of anxiety are normal when moving to a new school increased their grades over a three-year period, particularly among minority students (Walton & Cohen, 2011).

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Targeted messages can modify mental frames, and these modifications may make people less vulnerable to financial scams.

These and other studies suggest that targeted messages can modify mental frames, and these modifications may make people less vulnerable to financial scams. Survey findings from our own study support this view.

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<sup>4</sup> See “Addressing the Challenge of Chronic Fraud Victimization” for more information on repeated victimization.

## STUDY IMPLICATIONS

Researchers found that when study subjects had some knowledge of common financial scams, they were less likely to be defrauded. Those who knew a little about the specific scam presented to them were 80% less likely to engage. Even when they did engage with scammers, they were more than 20% less likely to lose money in the end.

Understanding how long it takes banks to validate deposited checks, or that the IRS does not threaten taxpayers by phone, would have helped Jackie, Karl and Tyler. Yet researchers have found that knowledge alone does not protect people in every case.<sup>5</sup>

Knowing how mental frames are formed and reinforced may offer a way to shift individual beliefs, equipping people to avoid future financial losses. Pairing information about scams with new narratives may strengthen public education efforts. For example, educators can blend details about how IRS scams work with messaging that suggests it's perfectly all right to question a government official, making certain that they are who they claim to be.

Underlying narratives about compliance are portable and foundational. This means that reshaping mental frames that govern unquestioned compliance may prevent fraud when scammers shift from impersonating one kind of official — from the IRS, for example — to posing as Social Security Administration agents, as happened in 2018 (Federal Trade Commission, 2019).

Educating the public that asking probing questions in financial situations is a sign of intelligence may also protect people from engaging with fraudulent offers. Study results suggest that there are at least four mental frames that increase vulnerability to financial scams. Further research is

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Further research is needed to test this hypothesis and define ways to reduce public risks for financial fraud.

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<sup>5</sup> See “[Addressing the Challenge of Chronic Fraud Victimization](#)” for more information on repeated victimization.

## STUDY IMPLICATIONS

needed to test this hypothesis and define ways to reduce public risks for financial fraud.

If we can better understand how assumptions and beliefs color an individual's reaction to financial scams, we can promote counternarratives that may reshape mental frames and strengthen decision-making skills. Challenging broadly held narratives can have significant social implications. In fact, when new narratives are embraced by large groups, they can power global economic and social events (Schiller, 2019).

## Disclosure

The opinions provided herein are those of the authors and do not reflect the views of FINRA, the FINRA Investor Education Foundation, the BBB Institute for Marketplace Trust, the University of Minnesota, the Federal Trade Commission, or any organizations with which the authors are affiliated.



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Established in 2003 by the Financial Industry Regulatory Authority, the FINRA Investor Education Foundation empowers underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The FINRA Foundation accomplishes this mission through educational programs and research that help consumers achieve their financial goals and that protect them in a complex and dynamic world.

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The BBB Institute for Marketplace Trust (BBB Institute) is the educational foundation of the Better Business Bureau. BBB Institute works with local, independent BBBs across North America to deliver educational programs that foster a trusted marketplace by empowering consumers to take control of their purchasing decisions and avoid scams, helping businesses deliver excellent service with integrity and become integral stakeholders in their communities, and publishing research that provides critical insights for the average consumer.

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