

# How to Spot a Con Man: Part I of II



(you know well as a physician that no one can guarantee anything), an investment will generate a 20% or greater return, you are best to just forget it. In general, the higher the potential (promised) return—"double your money in 3 months"—the greater your suspicion.

## Charming and Slick

You are a 68 years old who looks, acts and talks like Archie Bunker, sitting at a bar in Las Vegas. A stunning young lady sits down next to you, starts to flirt, and even offers to buy you a drink. There are only 3 possibilities. (1) You drop to your knees and say "Hallelujah, there is a God," (2) she is stoned, or (3) she just wants your money.

Do not underestimate the malevolence of these Rasputins and their ability to seduce people. Everything I have ever heard about con men (and the two I have met) describe them as charming. "I just knew I could trust him." How else could they peddle worthless junk without being charming? I prefer people who are more direct and have a few rough edges, if for no other reason than they are a little more like me.

## Complicated

Peter Lynch of Fidelity Magellan fame said that if you can not explain an investment within 5 minutes using only a crayon, you should not invest. If you can not understand how an investment works, your concerns are probably well founded. I will take this chance to make a general point about investing: never invest in anything you do not understand.

## Spotty Past

It is very unlikely you are going to meet a con man who was a PhD biochemist at a major pharmaceutical company for 30 years, or a career military officer, or a physician who received the Distinguished Eagle Scout Award. Instead, they did not finish college, then they were a salesman, then unsuccessful at a business (they have many excuses), then a salesman again, then a tour guide in Africa, then a preacher (look out here).

Con men are not nice people. In Dante's *Inferno*, there are nine levels of Hell. The lowest level is reserved for the greatest traitors to humanity: Lucifer, whose feet are (paradoxically) frozen in ice, inflicting eternal pain by gnawing on Judas, Brutus and Cassius. Procurers, seducers and fraudsters are barely above them in the eighth level, even lower than money grubbers (fourth level) and murderers (seventh level).

Con men often have a history of previous run-ins with the law. Multiple traffic violations, DWI, domestic abuse, petty stealing. Or more serious violations, such as disciplinary action by a regulatory body (such as the Securities and Exchange Commission), or even a felony conviction. Here

Most people know George C. Scott best for his Academy Award winning role in "Patton." But as it pertains to this discussion, he gave an outstanding performance in "The Flim Flam Man." At the beginning of the movie, Scott, the flim flam man, tells Michael Sarazin "Greed's my line. Greed, and 14-karat ignorance. They never let you down... You can't jip an honest man."

Ignorance and greed certainly make one more vulnerable to just about all bad things in life, but as Bernie Madoff (and countless others) have shown, otherwise bright, honest people, and sophisticated investors, even University endowments, can be duped. It is possible to jip an honest man, so you must be careful.

## High Returns

In the 20th century in the United States, equities (stocks) produced a 10% annual return. After factoring out inflation, the return was 7%, almost 2/3 of which was dividends (dividends are important). Some investors, and some investments, in retrospect, have produced returns of 20% or greater. But if someone promises you—no—guarantees

is an important point to remember, and is sure to save you heartache:

Never do business with someone with a previous criminal history.

Never

There are so many honest people out there.

Why take a chance?

As the old saying goes “Fool me once, shame on you. Fool me twice, shame on me.”

I will finish this topic in the next Editorial with comments about Flash and Glitz, Affinity Scams, Phone Solicitations, Secrecy, Inconsistencies, and, of course, “if it’s too good to be true, it almost certainly is.”

### Disclosure

Dr. Doroghazi is not a registered financial advisor under federal law or any state law. The advice provided is of a general nature, and should not be interpreted as personalized or individualized to your specific portfolio.

### Conflict of Interest

The author declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

### Acknowledgment

Dr. Robert Doroghazi, MD is a retired cardiologist who trained at the University of Chicago, the Massachusetts General Hospital, and Barnes Hospital. Warren Buffett said his book *The Physician’s Guide to Investing: A Practical Approach to Building Wealth* should be “required reading at med schools”. To sign up for a free trial to *The Physician Investor Newsletter*, visit [www.thephysicianinvestornewsletter.com](http://www.thephysicianinvestornewsletter.com).

Robert M. Doroghazi, MD\*

*The Physician Investor Newsletter, 115 Bingham Road,  
Columbia, Missouri*

\* Corresponding author: Tel: 573-443-0893.  
([rdoroghazi@yahoo.com](mailto:rdoroghazi@yahoo.com)).