

# Investor Education

Securities Division, Maryland Attorney General's Office

## Don't Fall for A Pyramid Scheme

Many people are looking for ways to earn extra money. Some may be approached to participate in “pyramid schemes” that promise impressive profits for little effort. However, pyramid schemes are risky, and they are **illegal** in Maryland and every other state.

In a typical pyramid scheme, a person pays a set amount to the promoter to join the pyramid and then convince others to do the same. Each person supposedly will have the opportunity to advance to the top position in the pyramid and receive payments from numerous other persons who are below them in the pyramid.

These scams are called “pyramids” because part of each new participant’s investment goes to other earlier participants. There are often several levels of participants, with only a few participants at the top level and an increasing number of recruits in the newer, lower levels. In order for everyone in a pyramid scheme to profit, there would have to be a never-ending supply of new participants who are willing, ready, and able to pay money into the scheme. Inevitably, however, pyramid schemes run out of new people to recruit, leaving a large number of participants empty-handed. Anyone who establishes, promotes, or advertises a pyramid scheme in Maryland is committing a criminal offense that may result in a fine of up to

\$10,000 or a prison sentence of up to one year.

Pyramid schemes can take a variety of forms. They may be called Gifting Clubs or Networks, Circle Games, Money Boards, or Blessing Looms. Some even may try to pass themselves off as an informal savings club called a sou sou. But a legitimate gift (or sou sou) does not come with strings attached and does not promise you will make more money than you put in.

Often, pyramid schemes are promoted among friends, neighbors, co-workers, and even church groups. They also can be found on Facebook, Instagram, YouTube, and other social media, although promoters rarely acknowledge them to be pyramid schemes. Regardless of what they are called, when there is no source of funds other than money from new participants, these money-making opportunities are pyramid schemes that will eventually collapse.

For more information, or to check on any investment opportunity, contact the Maryland Attorney General’s Office, Division of Securities by calling (410) 576-7042 or e-mailing [securities@oag.state.md.us](mailto:securities@oag.state.md.us).