

It happens way too often. Someone needs money, and needs it fast. Along comes an offer or an ad or a scheme — and with its promises of easy money, it sweeps away the usual caution, ultimately fleecing innocent investors of all their savings.

But according to Meir Shterenberg, of JOIN Israel's Pitronot Advocacy program to rescue Israelis from financial and legal quagmires, forewarned is forearmed.

In this new monthly column, he'll help you distinguish the scam from the real deal, and keep your money safe.

THE MONEY TRAP

REAL PEOPLE.
REAL MONEY.
REAL MISTAKES.

FOREWARNED IS FOREARMED



Bitter Brew

[THE PLAYERS]

Name: Yisrael and Esti Efrati
Age: Early 30s
No. of Children: 2
Residence: Near Yerushalayim

[THE BAIT]

**EARN \$2,000 to
\$5,000 PER MONTH!**
**Work Just 4 Hours
Per Week**
**Minimum Investment:
\$18,000**
Call for Interview

Sales Reps Wanted

Self Starter with 3 Yr. Sales Exp.
Necessary! Must have commercial
with the ability

[THE BACKGROUND]

You might have seen an ad similar to the one above. A Hebrew version appeared in many Israeli chareidi newspapers. The ad was placed by a company that distributed supposedly high-end Italian coffee machines. They were looking for people, including *avreichim*, to distribute the machines throughout Israel. For a minimum investment of \$18,000, the *avreich* received eleven coffee machines and a list of “customers” who were waiting to receive the machine. While the customer received the machine for free, he had to order the coffee capsules from the *avreich* — which is how the *avreich* would make his money.

As the company explained: Let’s say you get one of the Rami Levy supermarkets to take a coffee machine. If each capsule costs you a quarter, you sell it to Rami Levy for 50 cents. You can earn \$25 from Rami Levy employees every day — and that’s just one coffee machine. A person can earn at least \$3,500 a month, if he is a hard worker. Even if he doesn’t work so hard, he can easily earn \$2,000 a month.

Sound good? Meir Shterenberg, of JOIN Israel’s Pitronot Advocacy program to rescue Israelis from financial and legal quagmires, estimates that about 500 people thought it sounded great, including the 90 *avreichim* who later called him to complain they had been scammed.

Here’s how the story played out for the Efratis.

YISRAEL’S STORY//

After our first child was born, I knew I had to start thinking about the future. I left kollel and got a job, but it paid only about \$240 a month, which wasn’t nearly enough.

Then I saw an ad for what sounded like a great business opportunity. I called the number right away and made an appointment. When I got to the company’s office, which was in Ramat Gan, near the Diamond Exchange, I was in awe. It was gorgeous! I remember thinking this had to be a very successful company to afford all this expensive-looking furniture.

I met with two of the upper-level managers of the company, who explained about the coffee machines and what was involved. In a nutshell, all I had to do was show up with the coffee machine, teach the customer how to use it — and then wait for the orders and money to roll in. These guys were very high energy, and very enthusiastic about the product. They seemed to like me, too. One of them even said he thought I might become one of their top sellers. I felt rich already!

They wanted me to sign a contract right then. They had other people to interview, and they didn’t want me to miss out on this amazing opportunity. I was tempted to sign. But I told them that first I had to talk it over with my wife.

NOT
SO
FAST

When I got home, I told my wife Esti all about the business. I was really surprised by her reaction. She wasn't at all enthusiastic.

"Something is wrong," she told me. "Who works just a few hours a week and makes that kind of money?"

"Do people drink coffee every day?"

Reluctantly, she agreed that they did.

"That's your answer," I said. "A company can easily go through two or three hundred capsules a month — and they have to reorder the capsules from me."

"There's no such thing as free money?"

Sometimes my wife can be stubborn.

"Come with me tomorrow," I told her. "Hear what they have to say and you'll change your mind."

We went to Ramat Gan. Esti heard the details. I could see she was still hesitating, but in the end she said, "Okay, we'll sign the contract."

I handed over \$16,000 — money I had gotten from the bank as a loan. The rest I paid for with our Visa card and checks. This was a lot of money for us, but I was sure it was going to be a great investment for our future.

REALITY
HITS

After I got the coffee machines, I started to make the rounds. One of the places on my list was a law office. It sounded good on paper, but

when I got there I found out there were only two or three people working in the office. Another place on my list was also very small. How much coffee were they going to drink in a month? Not much.

I finally got five businesses to take a coffee machine. But after four months, I saw I wasn't getting any orders for more coffee capsules. I went back to the coffee machine company and complained. They had promised me good leads, not a bunch of duds. The guy had the nerve to tell me, "You don't work! That's why you're not making money."

That wasn't true. One of my friends also got

The Scam Detector

Meir Shterenberg has met too many people like Yisrael. He doesn't want you to join their ranks. So how can you tell if a business opportunity is a scam?

HE PINPOINTS FIVE WARNING SIGNS TO LOOK OUT FOR:

ONLY IN PERSON

1. When a person calls and asks for information, the company refuses to give details over the phone or in writing via fax or e-mail. Instead, the person has to come for a meeting. Why? A scam company doesn't want you to research them or the industry beforehand. For instance, they don't want you to find out their coffee machine is worth much less than they're telling you.

REMINDER PLEASE

2. After you make the appointment, the company calls you two or three times to remind you to come. If it was a legitimate offer, there would be more applicants than available spots; it would be up to you to keep the appointment.

LUXURY ALERT

3. When you arrive at the office, it looks like the palace at Versailles. Have you ever seen pictures of Bill Gates's office? He's the founder of one of the most successful companies in the world, Microsoft, yet his office is furnished with simple office furniture. You'll find the same thing in Israel. Truly successful companies don't need to impress people. Usually, the luxurious furnishings are there

to fool you into thinking this is a very successful company.

DRAMA TEAM

4. During the meeting there will be two well-dressed representatives from the company, and they'll work together to put pressure on you to sign the contract. One favorite tactic is to invoke scarcity:

We have just one carton left. It could take months until we get a new shipment from Italy. If you don't sign right now, we'll have to give the coffee machines to the next guy.

There's often a third person in on the act. He's sitting outside the office, but you can hear him on the phone, supposedly talking to a customer:

I told you, we don't have any more.... In three months... I know you're waiting....

"You see what's happening?" one of the managers whispers to you. "Another guy, a business owner in Meah Shearim, has already called us six times asking for his coffee machine."

What they're doing is creating false drama. They want you to believe that people are desperate to receive the coffee machine, or whatever product they're selling. But what happens when the person starts contacting the businesses on the list of "customers"

he's been given? It's one of three things: It's not a working phone number; the address is for a fruit and vegetable stall and the owner isn't about to spend hundreds of dollars on a fancy coffee machine; or the address is for a real office, but the staff drinks maybe 180 cups a year, not a month, and they're happy with their old electric kettle.

CONVOLUTED CONTRACT

5. They don't give you time to read the contract, which is probably eight pages long. They also don't let you take the contract to a lawyer; they know a lawyer would never advise his client to sign such a document, which fully protects the interests of the company but doesn't protect you. For instance, there is no clause that says if you don't sell "X" number of coffee machines you can get all or part of your money back.

But it's a legally binding contract. Once you sign and hand over the money, there's nothing you can do. In Israel you can't cancel a check; it's a criminal action. You also can't sue, because you got the coffee machines. And no one forced you to sign.

Meir Shterenberg is the Project Director of JOIN Israel's "Pitronot" advocacy program. He can be reached at 4pitronot@gmail.com.

involved in this scam. One of the businesses on his list told him, “What do we need your machine for? We drink Turkish coffee. It’s cheaper.”

I personally know 30 people who fell for this scam — and they weren’t all young chareidi guys. There was a 50-year-old man, there were secular Jews, even Arabs. One guy I knew bought 30 machines. He paid \$32,000! Would he invest that kind of money if he didn’t intend to work?

When I realized it was a scam, I went to a lawyer to see if I could get my money back. He looked over the contract and told me there was no way out. The contract was legally binding and I had signed it.

GIVE ME A BREAK

But even after I’d given up on making money, the snake kept biting.

Back when I’d first bought the coffee machines, I registered my new business at Mas Hachnasa, the Israeli Income Tax Authority. To register, you have to give them an estimate of how much you think you’ll be earning in a year. I gave them a figure, based upon what the coffee-machine company had told me.

When my “business” folded, I didn’t realize that I had to close my file — until I got a notice from the Tax Authority saying I owed \$10,000 in fines. I nearly fainted. That was more than I had ever earned in a year! When I couldn’t pay, they froze my bank account.

Esti and I went to the Mas Hachnasa office several times, begging them to give us a break. “You’re not the only ones who fell for this scam,” one of the clerks told us. “At least you’re not hungry. An hour ago, another couple was here. They don’t have money to buy food. They’re having terrible *shalom bayis* problems.”

Finally, I wrote Mas Hachnasa a letter from the heart, explaining I had made a

mistake but it was an honest mistake. I wasn’t trying to trick anyone. When I went back to the office, the clerk reread my letter, looked me up and down, and said, “You seem like an honest person. I’m going to cancel the fine. I’ll also remove the hold on your bank account.”

“Thank you, Hashem!” I felt like screaming.

IF I'D ONLY KNOWN

I think I reached my lowest point during a shopping trip in a Rami Levy supermarket, where I saw the exact same coffee machine

for sale. The company had told me the coffee machine was a super-deluxe model worth hundreds of dollars, and Rami Levy was selling it for only about \$100. And each coffee capsule was just 32 cents. No wonder I wasn’t getting any orders! I was trying to sell my capsules for 50 cents, when any shopper could walk into Rami Levy and get it for much cheaper.

I still had six coffee makers in my home — nobody wanted them — and I couldn’t stand looking at them anymore. I finally sold them to friends for peanuts. Baruch Hashem, at least my wife and I didn’t have *shalom bayis* problems. I know of at least one guy whose wife divorced him after this scam. There are some people who fall apart when a catastrophe happens. But my wife was a *tzadeikes*. She never said, “It’s your fault.” Instead, she kept saying, “Don’t worry. We’ll get out of this.” She was by my side the entire time. It took us about three years to get out of debt, but we did it. I now have a good job as a *melamed*. I work hard, but I have a steady *parnassah*, baruch Hashem.

This column will appear once a month

THE AFTERMATH//

Meir Shterenberg met Yisrael as he was dealing with the coffee crisis. Yisrael was just one of several hopeful investors who turned to Meir after realizing what a terrible mistake they’d made. After a bit of digging, he discovered who was behind this scam — a well-known thief — and paid the fellow a visit.

The thief-cum-coffee sultan insisted that those who didn’t succeed were lazy. He showed Meir the names of four of his “salesmen” who were doing great. “This one is our top seller,” he said. “Last month, he bought a BMW. Here’s his telephone number. Call him!” Then his assistant reminded him, “You can’t call. He’s in Germany.”

How convenient.

Not long after the company folded, Meir heard they emptied the office of all that gorgeous furniture in less than two hours. He also learned they owed the landlord six months’ rent — despite the fact that they probably made around \$10 million from this one scam.

Some of the people who invested in the scam just threw away the coffee machines they couldn’t sell. One person told Meir, “I can’t stand to look at this symbol of my stupidity.” What makes matters even worse, says Meir, is that usually it wasn’t the person’s money. He took out a bank loan or he asked his in-laws to lend him the money and now he feels like an idiot. It’s like death.

But he’s not an idiot. The people who fell for this scam are normal people. But when a person feels pressured to earn a *parnassah* or pay for a major expense and he doesn’t have a profession, he looks for “easy money.”

Meir has just one request to make of people in this situation: Please, before you sign anything, first sit with someone who understands the market you want to enter, whatever it may be. Ask questions. When you go to the bank to get a loan, ask the bank clerk about the business. For instance, does the rate of return the company is promising sound reasonable? This is a bank’s business — to loan money wisely. And always have a lawyer look over the contract before you sign. If you do discover your “great business opportunity” is really a scam, you’ll probably feel foolish. But it’s better to feel foolish before you invest than to lose thousands of dollars in a bad investment.