

What is the Difference between a Ponzi and a HYIP?

Online HYIPs rarely provide information to their investors of what is done with their money. This makes it easy for fraudulent programs to succeed. Dishonest organizers can set up a website to look like the other HYIPs available on the net, wait for investors to place their money in their hand and then stop the activity and walk away with the cash.

Ponzi is a fraudulent method which works as a pyramid. In such schemes, profit is not made by successful economic investment, but by appealing to new investors and using their investment money to pay existing members. This is all very well and good while the system has a steady stream of new members investing into it but once a slow period is hit, the investments will stop coming in and the whole system will collapse. Sometimes the system organizers do not wait until this has happened and may just cease what they are doing and keep the money which had been invested. Often the investors do not become aware of this until they stop receiving their interest payments as promised.

There are a number of ways to spot a Ponzi scheme from a genuine HYIP opportunity. Firstly, be wary of schemes that offer a high daily percentage return. If a site offers you 40% a day on your investment, you should question where the funds will come from to make that level of payment. Secondly, although HYIPs often pay you for referring others to their schemes, these payments are often low. If you are offered 10% per referral it is worth considering if that may be because referrals are the only way for the system to keep going. Lastly, look closely at the site and its design and functionality. If you spot a lot of content that looks as though it has been simply copied from another website, or if the design and layout is particularly amateurish, it could well be that the organizers know that it will not be needed for long as the system is only a short term thing to make them money.

There are people who invest in Ponzi schemes knowingly. This is because if you are lucky enough to invest and withdraw from the schemes before they collapse or stop functioning, you can make bigger returns than through the genuine HYIPs. However, you must bear in mind how easy it is to lose everything that you invested with these systems. You may think you know when to leave these programs but in truth, it is almost always luck rather than skill which provides investors with a profit from these schemes. Often the organizers of these schemes invite their friends to participate so that when they receive the profits, only the people they select to share them will benefit.

You may decide to take a chance and try to play the pyramid system for your own gain. It is worth remembering, however, that if you do this even if you yourself make a profit, it will be at the expense of others. In addition to this, these systems are illegal and the organizers of them face severe legal penalties if they are caught operating them.

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