Imagine that a new client has come to you for advice on an investment decision. Your client is a professional that has a solid income and has recently received a $75,000 bonus, which your client intends to invest in a fund for the next four years, when the returns will be cashed. Your client does not have any investments currently.

Note from your client: “I have recently received $75,000, and would ideally like to invest in one of the following four funds: Power Trade Investments, Fortitude Investments, Alpha Investments, or Tobacco Trade Investments. Which fund would you recommend that I invest in for the next four years?”

Based on more detailed historical performance data provided in the following section, you will be asked to select one of the available four funds to recommend to your client (as shown in the graph below). Although your client is not interested in investing in the S&P 500, we have provided the S&P 500 index for comparison.

Select a Fund

Decision Task Info

Fund Selection

Reflection Questions

Big Five Personality Inventory

Personal Characteristics

Would You Fall for a Ponzi Scheme?

Fortitude Investments’ uses data from Bernie Madoff’s fund.

Note: The data provided are based on real funds, although the fund names and dates are disguised (i.e., the data do not necessarily span between 2009 and 2014).

Returns, volatility, risk-adjusted returns, and additional information that can be requested for each fund may be found in the following section.

46% of participants took the bait

Binary Outcome Model (logit): Choose Madoff?

Percentage Choosing Madoff & S&P by Education Level

Stronger background leads to more skepticism

Survey Setup

Decision Task Info

Fund Selection

Reflection Questions

Big Five Personality Inventory

Personal Characteristics

Participating Students

Varying training levels

Principles of Microeconomics

Principles of Macroeconomics

Business Finance

Investment Analysis

MBA

Extra-credit opportunity in class – fill out survey

479 total participants

381 providing complete responses

Brief Summary

More economics and finance classes leads to more skepticism in investment task.

The effect is modest, but cumulative

Possibly mediated through viewing Madoff fund as suspicious or unethical

Personality traits and gender also influence skepticism.

Women are less likely to choose the too-good-to-be-true option?

More introverted and less conscientious participants favored Madoff