



The Future of Financial Fraud: The Sophistication of Common Scams

by: Annie Clinkenbeard

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A September 2025 [Payments System Research Briefing](#) published by the Kansas City Fed notes two key trends in contact and payment methods used for scams that potentially contributed to this increase in losses. The research, conducted by [Fumiko Hayashi](#), vice president of economic research, and [Ying Lei Toh](#), senior economist, found that scammers increasingly contact victims using more novel and interactive methods such as social media, websites and mobile apps. When coupled with the use of artificial intelligence (AI), these methods enable scammers to create especially convincing scams. Scammers also are increasingly directing victims to use newer methods of payment, like cryptocurrencies and payment apps, which provide victims with little to no possibility of stopping or reversing a scam payment.

What are the Most Common Types of Financial Scams?

According to the FTC and Hayashi and Toh's calculations, in order of highest to lowest dollar amount of total consumer losses in 2024, the five most costly financial scams in the U.S. are:

- 1 Investment scams
- 2 Business imposter scams
- 3 Government imposter scams
- 4 Romance scams
- 5 Online shopping scams

These five scam categories comprised 42% of total fraud losses reported to the FTC in 2020, and roughly 60% from 2021 to 2024.

Close to Home: Fraud in the Tenth District

Americans losing their hard-earned money to scams is a concern nationwide. One Tenth District state, however, ranks within the top 10 in the country for investment-related scam reports: Colorado. [With 1,728 reports to the FTC in 2024](#), the state averaged almost 300 reports per 1 million residents.

Colorado resident and author Joshua Kern's fraud case will be contributing to the state's 2025 numbers. After making initial contact with an individual online in February 2025, he says he was persuaded to invest in cryptocurrency on what he believed to be a legitimate platform after the individual showed what they claimed to be evidence of strong financial results. He began with a small amount of money, and he slowly invested more over the course of several months after he saw positive returns on his investment. By June, Kern says he had invested close to \$100,000.

It wasn't until he attempted to withdraw his money that he says he saw any red flags – and by that point, it was too late.

"I was going to pull all of my money out because I had met my goal," Kern said. "When I went to do that, the site froze my account, which didn't make any sense." Soon, the individual who Kern was communicating with disappeared, and he never heard from them again.

Kern's story takes another turn when he contacted a company that claimed to be a cryptocurrency recovery service.

"I went from one scam to another unrelated scam," Kern said. "I didn't know that these services were typically all scams, and I was panicking because of the initial scam. I borrowed money from my family to use their recovery services, and that money got deposited into another cryptocurrency wallet I couldn't access. That was when I knew I needed to report this and get the police involved."

Today, Kern is navigating the aftermath of losing his life savings, and the road to recovering his money looks long and murky. He has filed reports with his local police department, the Colorado Attorney General, the FTC, the Internet Crime Complaint Center, the Consumer Financial Protection Bureau and more. While his local police department connected him with a detective in Minnesota who specializes in cryptocurrency losses, Kern says he is not holding out hope that he'll ever see a return. The world of cryptocurrency moves quickly, and scammers are often one step ahead. He says he knows recovery becomes less likely with every day that passes.

"I know I made mistakes and missed red flags," Kern wrote in a blog post about his experience. "But the people who perpetrated this scheme were patient, methodical and alarmingly convincing. They preyed not just on my financial hopes, but on my emotional vulnerability as someone looking for companionship and connection. This sort of scam is happening more and more often, and people aren't prepared for it, because we aren't trained to look for it."

How Have Scammers' Contact Methods Evolved?

Kern's case is not unique. As scammers' methods of contact and preferred methods of payment evolve, scams are proving to be more financially devastating for consumers. In a world full of social media, apps and unfamiliar and unregulated payment methods, a new population is increasingly falling victim to scams. Younger people (20-29-year-olds) reported losing money to fraud more often than older people (70-79-year-olds), according to the FTC.

The data also suggests a potential correlation between the type of contact method used to initiate scams and a consumer's susceptibility to lose money to a scammer. More traditional contact methods like mail, phone calls, emails and texts, may raise more red flags for a consumer that the message is suspicious, whereas "new" methods like social media, online advertising, pop-up ads, websites and mobile apps may seem more convincing.

Efforts to Curb Sophisticated Scam Methods

It's best to think about scam and fraud prevention with a layered approach, Hayashi says. Even with consumer education as the foundation, every service provider or agency along the way could intercept fraud too. As consumers are susceptible to increasingly convincing scams, having multiple layers of protection in place may be more important than ever.

"Training consumers to look out for scams is critically important, but it alone may be insufficient to prevent scams, as scammers become even more sophisticated," Hayashi said.

The ever-evolving environment of new payment systems, like cryptocurrency, makes this type of fraud difficult to monitor and regulate, and government agencies continue to implement new tactics and enact legislation to curb fraud and educate consumers.

- The FBI launched [Operation Level-Up](#) in January 2024 to combat cryptocurrency scams, and the agency has saved consumers more than \$285 million by proactively notifying victims and intervening.
- The Securities and Exchange Commission's [investor.gov](#) website provides consumers with a simple explanation of investment education and red flags to watch out for when investing, including [relationship investment scams](#) like the one Kern experienced.
- The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) became law on July 18, 2025, which establishes a regulatory framework for stablecoin issuance.

"Consumer education, while ever more important, is only part of the solution to tackling scams," Toh, the senior economist, said. "Scammers use a range of services — from telecommunications to financial — to commit scams, and each service provider involved can play a role in fighting scams."

Author



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Media



Joshua Kern is navigating the aftermath of losing his life savings due to a sophisticated investment scam. Photo by Gary Barber

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