

# The Harrowing Reality of Elder Financial Abuse

## *Preventing the “Crime of the 21<sup>st</sup> Century”*

Many retirees and workers nearing retirement worry about running out of money. Regardless of how much money is saved and the plans made for that money, the sad truth is that once you retire, many people want to be your friend simply to get their hands on your money. Referred to as “the crime of the 21<sup>st</sup> century”, financial exploitation comes in countless forms and can be detrimental to even the most well planned retirement.

*Financial exploitation separates thousands of retirees from approximately \$2.9 billion each year. These crimes, however, are preventable.*

While any person, regardless of age, education, or other factors, can fall victim to these schemes, older Americans are often prime targets of financial exploitation and investment fraud. Generally speaking, this group has a large “nest egg” comprised of regular income from pension and Social Security benefits as well as accumulated assets in retirement savings. Scammers may view seniors as vulnerable, trusting, and more reliant on others for help, such as family members, caregivers, or other trusted people. This group may be unfamiliar with managing financial matters and making financial decisions but not want to ask for help. Because of these characteristics and circumstances, retirees are often the target of financial crimes.

"Every year, hundreds of thousands of seniors are victims of financial fraud and theft," explains Ann Harkins, president and CEO of the National Crime Prevention Council. "Many Americans cannot ID the red flags of fraud, and they are not familiar with what to look for." Harkins explains that seniors age 65 and older are more likely to be targeted and to lose money once targeted. The group most likely to be victimized, however, is men age 55 and older. "They're savvy, they think they know how to protect themselves and they get taken," she says.<sup>1</sup>

### **Signs of Financial Fraud and Exploitation**

To prevent yourself from falling victim to financial scams, or to educate your retirees as a Plan Sponsor, you must first understand these red flags. While this list is not all-inclusive, these signs are prevalent in several of the most common financial crimes that target older Americans.

- ☒ *If it sounds too good to be true, it probably is.*
- ☒ *Contacted Out of the Blue:* Contact from someone claiming to be a financial advisor, generally via phone or email, which was not solicited previously, should be seen as a red flag.

<sup>1</sup> Mears, Teresa. How to Guard Against Common Scams That Target Seniors. U.S. News Money. 27 October 2015. <http://money.usnews.com/money/personal-finance/articles/2015/10/27/how-to-guard-against-common-scams-that-target-seniors>

- ☒ *Demands for Payment*: If you receive a call demanding immediate payment, such as for back taxes, especially in the form of a wire transfer or prepaid debit card, do not comply. Often these callers will claim that they are agents of the IRS, however, note that the IRS does not call in these situations. They mail out letters instead, as would most other regulatory agencies. These demands may include threats of arrest or some other form of penalty.
- ☒ *100% Guarantees*: Be wary of any claims of guaranteed, exaggerated earnings. If the person contacting you is guaranteeing returns that are much higher than what is available through traditional investments. Remember, if it sounds too good to be true, it likely is.
- ☒ *Requests for Credit Card or Personal Information*: It is a good rule of thumb to never give credit card information, social security numbers, or other personal information over the phone or through email since you cannot see how the person on the receiving end is using your information.
- ☒ *“Free Educational Lunches”*: If you receive an unsolicited invitation for a “free educational lunch” to learn about a hot, new investment, it is likely wise to pass. Even if the investment turns out to be legitimate, the event will not likely explain the costs and risk associated with the investment which could be detrimental. Additionally, the lunch is a sales tactic and may put intense pressure on attendees.
- ☒ *Pressure to Sign*: Anyone pressuring you to sign something or agree to something without giving you the time and space to fully understand what you’re agreeing to does not have your best interest in mind. High pressure tactics are a red flag.

It is extremely important to ensure you understand what you are investing in. Do not use your life savings on something you do not understand; it is not worth the risk. Do your due diligence and research both the investments and advisor you are considering. Know the signs of financial exploitation and if you feel that you or someone you know is at immediate risk of financial exploitation, report the crime to the proper authority.

### Reporting Financial Crimes

Occasionally, crimes of financial exploitation against seniors are carried out without the victim being aware of the exploitation until their money is gone. If the crime is recognized, many older victims do not report the crime because of shame or embarrassment, fear of retaliation, or fear of losing their independence. Others may not know who to contact for help. However, reporting the crime is the first step in rectifying the situation and preventing the scammer from taking advantage of others.

[StopFraud.gov](http://StopFraud.gov) is a government website maintained by the Financial Fraud Enforcement Task Force. The StopFraud website contains the contact information for reporting the most common types of financial exploitation to the correct regulatory body.

If you aren’t sure where to start, begin by calling your local police. Additionally, all cases of financial fraud and exploitation can be reported to the Federal Bureau of Investigation (FBI) by using the online [Tips and Public leads form](#) or by calling your local FBI field

office. Crimes should also be reported to the proper governing body, based on the crime committed. For example, crimes dealing with commodities, investment, and/or securities fraud should be reported to the U.S. Securities and Exchange Commission (SEC) while identity theft would be reported to the Federal Trade Commission (FTC). Please visit [StopFraud.gov](http://StopFraud.gov) for more information on reporting financial fraud and exploitation.

### **The Bottom Line**

Anyone can be the target of financial exploitation; however scammers and criminals committing crimes of this nature often target senior citizens. For this reason, it is extremely important that seniors know the signs of financial abuse and only work with advisors that they trust. Plan Sponsors can help by conveying this information to employees and retirees.

If you suspect financial abuse has occurred, report it. There are people who can help.

#### *Additional Resources for Elder Financial Exploitation*

National Adult Protective Services Association

<http://www.napsa-now.org/get-informed/what-is-financial-exploitation/>

SEC Guide for Seniors - Protect Yourself Against Investment Fraud

<https://www.sec.gov/investor/seniors/seniorsguide.pdf>

Common Fraud Schemes Targeting Senior Citizens

<https://www.fbi.gov/scams-safety/fraud/seniors>

Money Smarts for Older Adults: Prevent Financial Exploitation

(A joint effort by the Consumer Financial Protection Bureau and FDIC)

[http://files.consumerfinance.gov/f/201306\\_cfpb\\_msoa-participant-guide.pdf](http://files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf)

FINRA Securities Helpline for Seniors: 844-57HELPS (844-574-3577)