Some recent high-profile cases have thrust elder financial abuse into the spotlight. Think of former child star Mickey Rooney. Far from his Super Bowl commercial that was banned by Fox television because a falling towel exposed his 84-year-old bare bottom, Rooney tearfully testified before a U.S. Senate committee last March that he was a longtime victim.

Or New York socialite and philanthropist Brooke Astor. The years after her 2007 death at age 105 were punctuated by a sordid trial that led to her son’s conviction for what Vanity Fair called a “scheme to separate the Alzheimer’s-addled Mrs. Astor from her $187 million fortune.”

Financial exploitation of older Americans usually lives in the shadows, hidden by fear and shame and all too often blurred by the haze of mental impairment. Yet the abuse is as prevalent as it is perverse—and appalling. A study released last...
summer estimates that the elderly are swindled out of nearly $3 billion a year. That’s likely just the tip of the iceberg because it’s believed that the vast majority of cases never see the light of day.

A 2010 survey found that 7.3 million older Americans—one in five of those over age 65—have been ripped off. And half of those questioned reported signs of vulnerability. Don Blandin, head of the nonprofit Investor Protection Trust, which funded the study, says the findings make it clear that “a shockingly large number of older Americans are already victims of financial swindles, and millions more are in danger of being exploited.”

**The Willie Sutton effect**

The elderly are unquestionably tempting targets. Remember what the notorious bank robber Willie Sutton supposedly said in answer to the question of why he robbed banks? *That’s where the money is.*

After a lifetime of working and investing, older Americans possess an enormous concentration of wealth. One study says baby-boomers control more than $13 trillion in assets.

Plus, older people can be easy prey. “People who grew up in the 1930s, 1940s and 1950s were generally raised to be polite and trusting,” notes the FBI in a warning about senior fraud. Sound like anyone you know? Your parents? Grandparents? “Con artists exploit these traits,” says the FBI.

Don’t blame elders’ vulnerability all on old-fashioned politeness, though. Research by Harvard behavioral economist David Laibson and others found that although financial acuity generally increases as we gain experience and move into middle age, at a certain point mental abilities decline sufficiently to undermine the value of experience. According to this research, the sweet spot for financial decision-making is age 53.3. After that, on average, we stand on increasingly shaky ground when it comes to making sound financial decisions.

It gets worse.

It is believed that more than one-third of Americans over the age of 71 have mild cognitive impairment or Alzheimer’s disease. That, says Robert Roush, of the Huffington Center on Aging at Baylor College of Medicine, makes them particularly susceptible to investment swindles and other financial abuse.

One final ingredient creates a potent, perfect storm: Today’s volatile stock market and near-zero interest rates on savings can make desperate older investors even more vulnerable to scam artists promising financial security. Is it any wonder the MetLife Mature Market Institute calls elder financial abuse the crime of the 21st century?

**Lurking dangers**

What kinds of financial traps have been set? Sally Hurme, senior project manager in education and outreach for AARP, paints the answer with a broad brush: “Financial exploitation is any of the multiplicitous ways in which people try to trick, connive or scheme to relieve older persons of their money or property,” she declares. The variety of schemes, the FBI notes, “is limited only by the imagination of the con artists who offer them.”

Among the potential perils:

**Annuities.** These investments, which promise tax-favored growth and lifetime income, can be terrific. Or they can be lousy deals if the seller is more interested in pocketing an outsized commission than in the buyer’s well-being. The complexity of some deferred and equity-indexed annuities, for example, can confuse even the sharpest investor.
Regulators have frequently fined insurers for pushing seniors toward unsuitable annuities. Even relatively straightforward immediate annuities can be overly hyped. At a time when top five-year CDs yield just over 2%, for example, a fixed annuity can be promoted as a miracle. A 70-year-old widow in New York who invests $100,000 in an immediate annuity might be promised lifetime payments of $650 a month ($7,800 a year). That might sound like a 7.8% yield, but it’s far from it. The payments you receive are a combination of earnings and a return of part of your investment. Yes, payments are guaranteed as long as you live, but they are also usually guaranteed to stop as soon as you die. Again, it could be a sound investment, but only if the buyer fully understands what she’s getting into.

Telephone fraud. According to the FBI, people over 60, especially women living alone, are special targets of people who sell bogus products and services over the phone. It may be a solicitation for a charitable contribution in response to a tragedy in the news. Or it could be an announcement that you’ve won a prize—if you’ll just send some money to cover the pesky tax bill. And be especially wary if you’ve been victimized in the past: You might get a call from someone offering help to retrieve your money... for a price.

Mortgage help. The popping of the housing bubble, and the foreclosure crisis that followed, provide fertile ground for scams aimed at desperate homeowners. Matt Swenson, of the Minnesota Department of Commerce, reports that the state has cracked down on bogus “loan modification” firms that promise to aid homeowners threatened with foreclosure but simply make matters worse by taking fees for services that are never performed.

The Nigerian letter. In this classic scam, a purported government official seeks help to illegally transfer millions of dollars from Africa to the U.S. The target is recruited to help with the scheme by fronting cash to cover expenses such as taxes, legal fees and bribes, all with the promise that the funds will be reimbursed and the victim will be well rewarded (see the box at right for a frightening look at a variation on this scam).
Free lunch seminars. Speaking of classics, an invitation to a free luncheon workshop can pose a financial threat. An investigation by federal and state regulators found that more than half of these seminars involved misleading or exaggerated claims, and 13% included fraudulent practices, such as the sale of fictitious investments. Even events pitched as “information only” can lead to high-pressure follow-ups.

Magazine scams. Although it may seem mundane compared with phony investment ploys, you even need to watch out for unauthorized third parties selling subscriptions or renewals to periodicals, often at outrageous prices. A Kiplinger’s subscriber reports that his late mother continues to receive such solicitations. One looked like a bill offering a year of National Geographic “at one of our lowest rates!” The cost: $59.88. Ironically, the same batch of mail included a solicitation for the real National Geographic for $12 a year. The Federal Trade Commission warns consumers to beware of any telephone sales pitch for free or prepaid subscriptions. To protect against fake renewal schemes, check the address you’re asked to send money to against the address you’ll find in the latest issue of the magazine that you’ve received.

Who can you trust?
It might seem that common sense should inoculate most people from these kinds of threats. *If it sounds too good to be true, it probably is. Take your time. Check out any proposition with a reliable, neutral source.* That’s all great advice. But the prevalence of senior financial abuse should disabuse you of the belief that common sense is sufficient. The perpetrators fall into two groups, according to AARP’s Hurme: members of your inner circle, such as family, and strangers, who can be real pros at taking advantage. According to a MetLife Mature Market Institute survey of reported swindles, 51% of the scammers were strangers, and 34% were family, friends or neighbors. 

“I call the strangers ‘wolves in sheep’s clothing’ because to be a successful exploiter, you can’t look like one,” Hurme says. “You have to be sneaky, conniving, and you have to develop a sense of trust.” So should we follow the advice from the *X Files* and trust no one? “I’m not going to say that,” she continues. “But you may not be able to trust your kids, your caregiver, your banker, your attorney, your financial planner or the joint owner on your bank account. I’m sorry. It’s pretty gruesome. It’s grim.”

What can you do?
■ Start by talking with your parents or grandparents to make them aware of the threats. Don’t wait for them to alert you to a problem; they may not be aware that they are being exploited or, if they realize it, they may be ashamed or concerned that admitting their failing might lead to a loss of independence.

■ Tell your parents that you want to protect them by helping them go through their mail and monitor their accounts for unusual activity. Help them get copies of their credit reports

Continued on back flap
State securities regulators in 27 states and jurisdictions are protecting seniors from financial exploitation through the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program. The EIFFE Prevention Program is designed to be a “prescription for prevention” of elder investment fraud to prevent vulnerable older Americans from losing their hard-earned money. The nationwide effort utilizes continuing medical education courses to educate U.S. medical professionals about elder investment fraud and, when recognizing the signs of financial abuse among their older patients, provide referral routes for further medical screening and report suspected fraud to state securities regulators and adult protective services professionals.

**SELECTED STATE ACTIVITIES**

The Pennsylvania Securities Commission is working with the University of Pennsylvania on the EIFFE Prevention Program and held its first training in October. The Commission also produced a nine minute video on elder investment fraud for public television, from which the above quotes are drawn. You can view it at: [http://www.investorprotection.org/learn/?fa=eiffeVideo](http://www.investorprotection.org/learn/?fa=eiffeVideo).

The Iowa Insurance Division is working with the University of Iowa on the EIFFE Prevention Program and will hold its first training in early 2012. The University of Iowa is a leader in research related to aging cognition, including research on diminished decision-making capabilities.

The Alabama Securities Commission is working with the University of Alabama at Birmingham and Dr. Daniel Marson, who developed the Financial Capacity Instrument, the only instrument of its sort validated on persons with dementia. Alabama held its first EIFFE Prevention Program training event in October.


http://www.investorprotection.org
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For more information on the EIFFE Prevention Program visit: http://www.investorprotection.org/learn/?fa=effe

Alabama Securities Commission
1-800-222-1253
http://www.asc.alabama.gov

California Department of Corporations
1-866-275-2877
www.corp.ca.gov

Colorado Division of Securities
303-894-2320
http://www.dora.state.co.us

Connecticut Department of Banking, Securities Division
1-860-240-8230 or Toll Free 1-800-831-7225
http://www.ct.gov/doc

District of Columbia Department of Insurance, Securities and Banking
202-727-8000
http://www.dieb.dc.gov

Delaware Department of Justice, Investor Protection Unit
302-577-8424
http://www.state.de.us/securities

Georgia Secretary of State, Securities Division
404-656-3920
http://www.sos.ga.gov/securities/

Idaho Department of Finance
1-888-346-3378
http://finance.idaho.gov

Office of the Illinois Secretary of State, Securities Division
1-800-628-7937
http://www.avoidthescam.net

Indiana Office of the Secretary of State, Securities Division
1-800-223-8791
http://www.inDIanainvestmentWatch.com

Iowa Insurance Division
1-877-955-1212
http://www.investorsmartiowa.gov

Kentucky Department of Financial Institutions
1-800-223-2579
http://www.kfi.ky.gov

Maine Office of Securities
1-877-624-8551 or 207-624-8551

Michigan Office of Financial and Insurance Regulation
1-877-999-6442
http://www.michigan.gov/oifr

Minnesota Department of Commerce
651-296-4026
http://www.commerce.state.mn.us

Nebraska Department of Banking and Finance
1-877-471-3445
http://www.ndbf.ne.gov

New Jersey Bureau of Securities
1-866-1-Invest (1-866-446-8378)
http://www.njsecurities.gov

New Mexico Securities Division
1-800-704-5533
http://www.redflagsNM.org

North Carolina Department of the Secretary of State
1-800-688-4507
http://www.sосnc.com

Oklahoma Securities Commission
405-280-7775
http://www.securities.ok.gov

Oregon Division of Finance and Corporate Securities
1-866-814-9710
http://www.ofcs.oregon.gov

Pennsylvania Securities Commission
1-800-600-0007
http://www.psc.state.pa.us

Puerto Rico Commissioner of Financial Institutions
787-723-3131
www.cif.gov.pr/index_eng.html

Tennessee Securities Division
1-800-863-9117
http://www.tn.gov/commerce/securities

Utah Division of Securities
801-530-6800
http://www.utah.gov/secu

Vermont Securities Division
802-828-3420
http://www.bishca.state.vt.us

Washington State Department of Financial Institutions
1-877-RING-DIF (1-877-746-4334)
http://www.dfi.wa.gov

For more information on the EIFFE Prevention Program visit:
http://www.investorprotection.org

You can find a copy at the IPT Web site, www.investorprotection.org.

■ Put your parents on do-not-call lists. Most telemarketers will stop calling once a number has been on the National Do Not Call Registry for 31 days. You can register home and cell phone numbers free at www.donotcall.gov or by calling 888-382-1222.

■ Offer to help your folks develop a spending plan (don’t call it a budget). This will give you a chance to see how much money they have coming in and how they’re spending it.

■ Warn them about free lunch seminars and, if they have fallen prey to a high-pressure salesperson, contact that person and ask him to stop calling. If you suspect investment fraud, contact the Securities and Exchange Commission’s Office of Investor Education and Advocacy at 800-732-0330, your state’s securities regulators (you’ll find links to regulators at www.nasaa.org) or your state’s Adult Protective Services, the agency that investigates reports of elderly financial abuse. To find your state APS office, visit the Web site of the U.S. Administration on Aging’s National Center on Elder Abuse, at www.nciaa.aoa.gov, and click on “state resources” or call the elder-care locator at 800-677-1116.

Expressing your concern about your parents’ investing acumen does not have to be insulting or threatening. Plenty of very sharp investors were taken for a ride by Bernard Madoff’s multibillion-dollar Ponzi scheme. Perhaps the best way to avoid such a fate is to keep things simple, sticking with stocks, bonds and mutual funds rather than esoteric investments.

You may get some help from your parents’ doctors. A new program developed by the Investor Protection Trust, the North American Securities Administrators Association, the National Adult Protective Services Association and the Baylor College of Medicine aims to educate physicians about some of the telltale signs of financial exploitation. Because seniors with mild cognitive impairment seem particularly vulnerable to financial abuse, Baylor created a pocket guide for physicians listing warning signs and including resources for social services, investor protection and legal advice. You can find a copy at the IPT Web site, www.investorprotection.org.