Recognizing and Preventing Elder Financial Abuse

A guide regarding risks and reg flags indicative of elder financial abuse

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Senior Citizens: At-Risk Group for Financial Exploitation and Abuse

As America ages, **fraud and exploitation that targets elderly investors is on the rise**.

Three factors render senior citizens attractive targets for financial abuse:

1) they often accumulate a significant nest's egg throughout their working life;

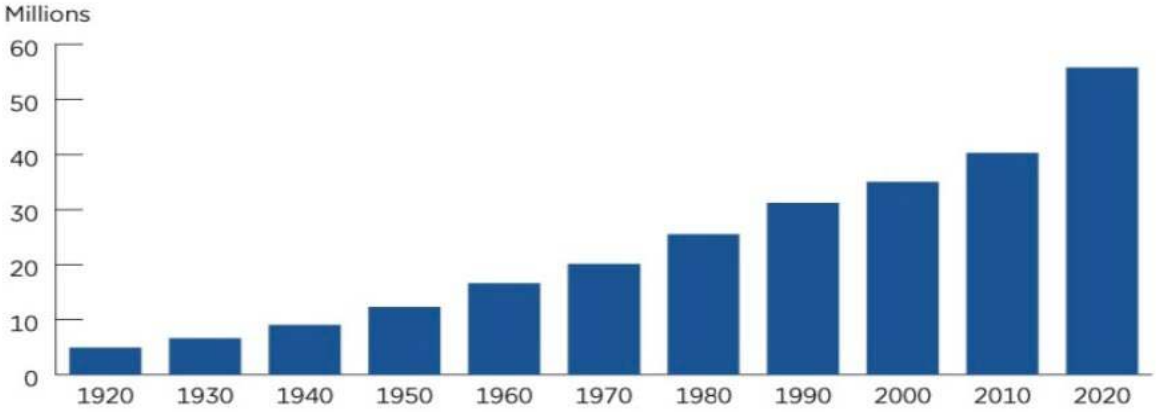
2) they frequently lack investment sophistication to safely invest their life savings; and

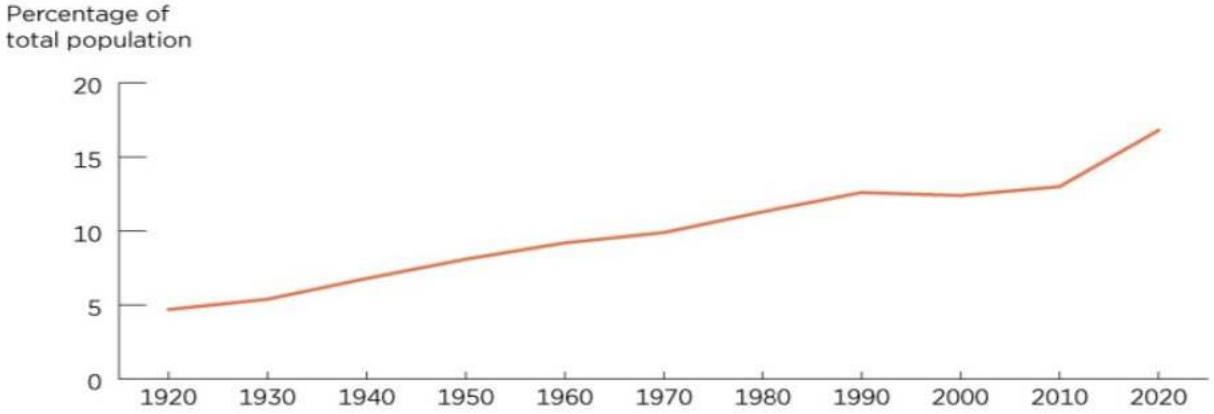
3) as they grow older, cognitive deterioration causes them to increasingly rely on others for their financial affairs.

America – A Greying Country

Elder Financial Abuse in Numbers

Aging on the rise

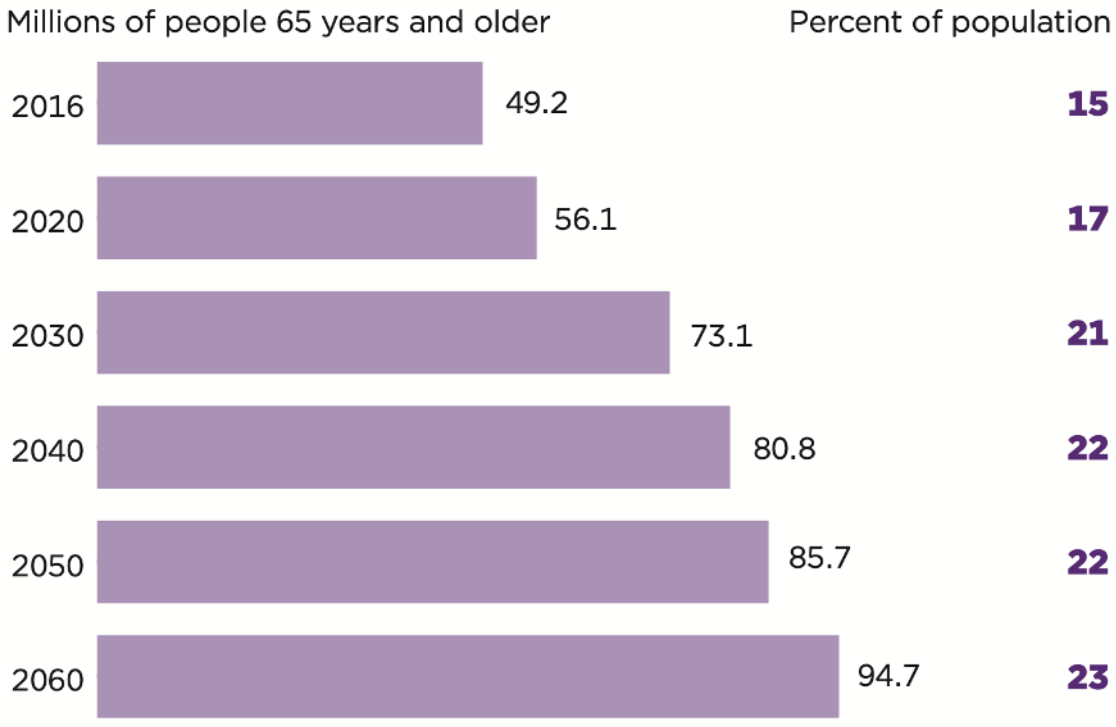




The U.S. population age 65 and over grew nearly five times faster than the total population over the 100 years from 1920 to 2020, according to the 2020 Census.

Source: U.S. Census Bureau, Decennial Census of Population, 1900 to 2000; 2010 Census Summary File 1, and 2020 Census Demographic and Housing Characteristics File (DHC).

Aging on the rise



Source: U.S. Census Bureau, 2017 National Population Projections.

The nation's 65-and-older population is projected to nearly double in size in coming decades, from 49 million in 2016 to 95 million people in 2060.

According to the US Census Bureau, people aged 65 and older will grow from about 15 percent in 2016 to nearly a quarter of the population in 2060.

Concentration of Assets – Part 1

Household net worth by age

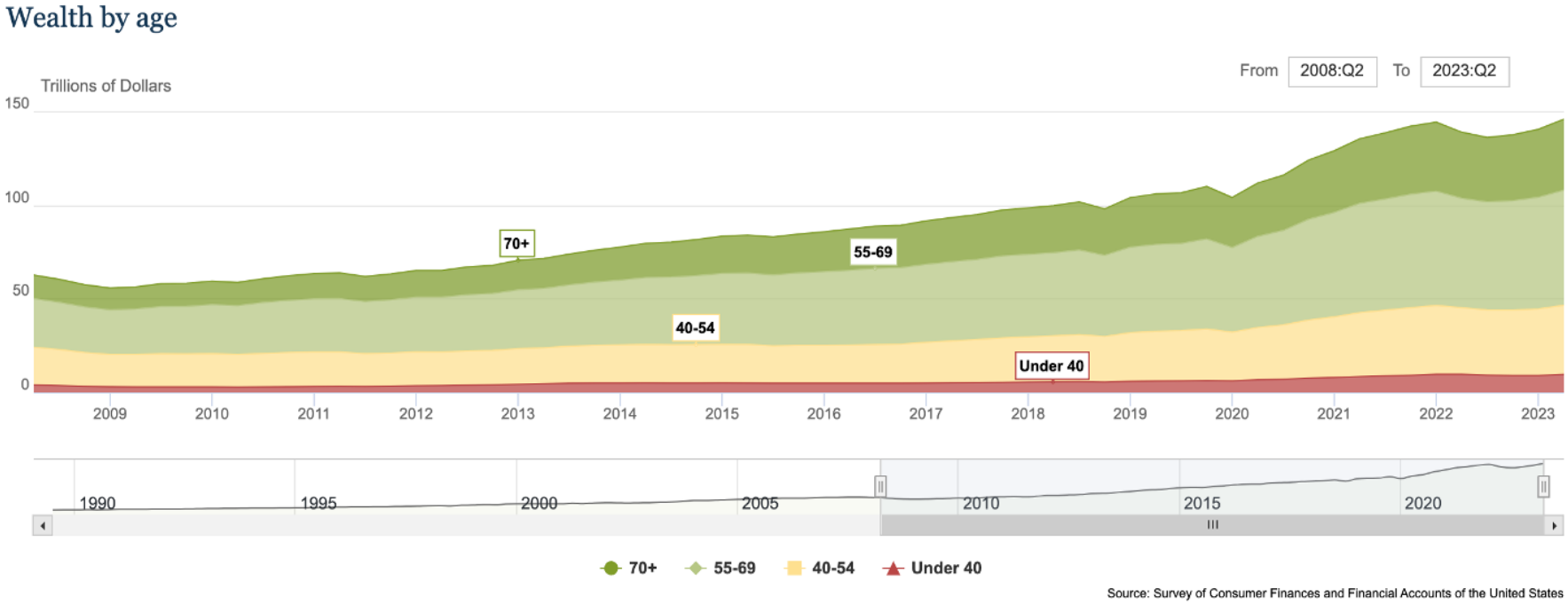
Age of head of family	Median net worth	Average net worth
Less than 35	$39,000	$183,500
35-44	$135,600	$549,600
45-54	$247,200	$975,800
55-64	$364,500	$1,566,900
65-74	$409,900	$1,794,600
75+	$335,600	$1,624,100

Source: The Federal Reserve Survey of Consumer Finances, published October 2023

- 77% of financial assets in the US belong to people aged 50 and older.
- Retirement assets for investors aged 65 and older reached $20 trillion.
- Net worth of households with investors 65 and older in 2019 was $266,400.

(sources: Federal Reserve; SIFMA; OECD; US Census Bureau)

Concentration of Assets – Part 2



The Federal Reserve Board reports that as of second quarter 2023, population over 55 years old control over $77 trillion of total household wealth in the United States

At least $36.5 B

Estimated annual financial damages suffered by the elderly population

88,262

Number of complaints received from victims over 60 in 2022

60-90%

Percentage of elderly victimization cases in domestic settings

Sources: National Council on Aging, FTC Consumer Sentinel Network, and American Bankers Association, IC3

Recognizing Elder Financial Abuse

Typical Definitions

Financial Abuse

"the fraudulent or otherwise illegal, unauthorized, or improper act… that uses the resources of an elder for monetary or personal benefit, profit, or gain, or that results in depriving an elder the rightful access to, or use of, benefits, resources, belongings, or assets." – Elder Justice Act 2010

Financial Exploitation

"the fraudulent or otherwise illegal, unauthorized, or improper act or process of an individual, including a caregiver or a fiduciary, that (i) uses the resources of a senior citizen for monetary or personal benefit, profit, or gain; or (ii) results in depriving a senior citizen of rightful access to or use of benefits, resources, belongings, or assets." – Senior Safe Act 2018

Source: Financial Industry Regulatory Authority (FINRA); definitions under state elderly abuse laws may depend from state to state.

Usual Perpetrators of Elder Financial Abuse

The most common perpetrators of elder financial abuse include:

- Friends
- Family members
- Financial advisors or brokers
- Caregivers
- New acquaintances (or even strangers)
- Fake businesses or government agents

How Is Elder Financial Abuse Perpetrated?

- Misusing or stealing an elderly person's money or possessions.
- Coercing or deceiving an elderly person into signing legal documents.
- Improper use of conservatorship, guardianship, or power-of-attorney to take control of an elderly person’s assets.

Potential Signs of Elder Financial Abuse

- Sudden changes or unusual transactions in bank statements.
- A growing interest of the perpetrator in the victim's assets.
- Financial transactions that the victim has difficulty explaining.
- New “best friends”.
- History of substance abuse, gambling etc.
- Disputes regarding future inheritance.

Risk Factors – Elder Financial Abuse or Exploitation

Unethical Investment Firms – pt. 1

- Most advisors are ethical and want to do the right thing for their clients. However, the few who are not could inflict **serious harm on elderly clients**.
- Financial firms that hire advisers with multiple ethical violations are more **concentrated in areas with large elderly populations**.

Source: Michael S. Finke, John S. Howe, Sandra J. Huston. *Old Age and the Decline in Financial Literacy*. Management Science, 2016; DOI: 10.1287/mnsc.2015.2293

Unethical Investment Firms – pt. 2

- Some firms sell **overly complex, difficult to understand, high risk, illiquid, and high commission products** to elderly clients.
- Older consumers whose financial literacy and/or cognitive skills have declined may be **particularly vulnerable** to the sale of unsuitable investments.

Source: Michael S. Finke, John S. Howe, Sandra J. Huston. *Old Age and the Decline in Financial Literacy*. Management Science, 2016; DOI: 10.1287/mnsc.2015.2293

Social Isolation

- Senior investors who are isolated or suffering from cognitive decline **may be particularly vulnerable to harm**. (SEC, *IOSCO Senior Investor Vulnerability Final Report* (March 2018)
- Elderly investors are **more likely to be victimized if they are isolated** and do not have someone to discuss investment proposals with. (Finrafoundation.org)

Overconfidence

- Financial literacy is lower in people aged 60 and older, **declining 1% each year**.
- Tendency to take financial risks, and confidence in one's ability to make good financial decisions, is higher among the elder population.

(Source: Finrafoundation.org)

Most Targeted States for Investment-Related Crimes in the First Three Quarters of 2023

of Fraud Reports:
75,755

% Reporting $ Loss:
75%

Total Loss Reported:
$3,172.7M

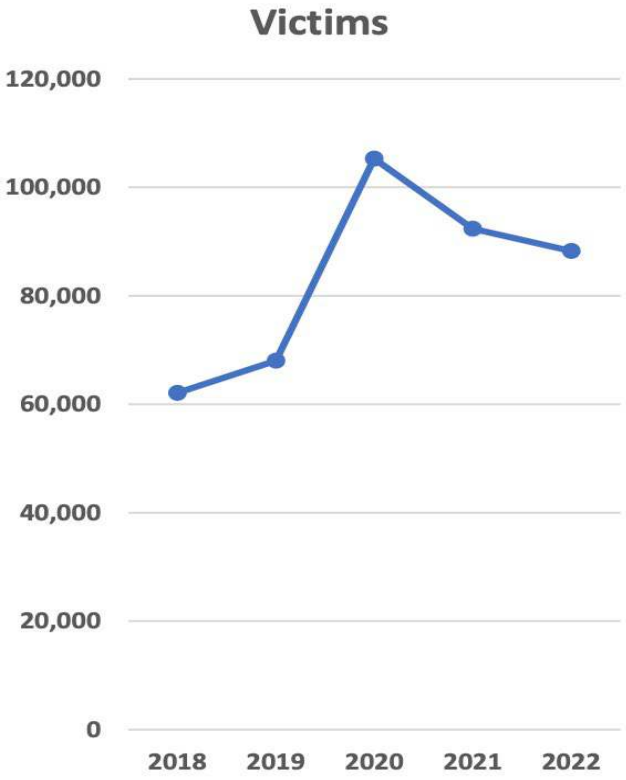
Median Loss Reported:
$7,000

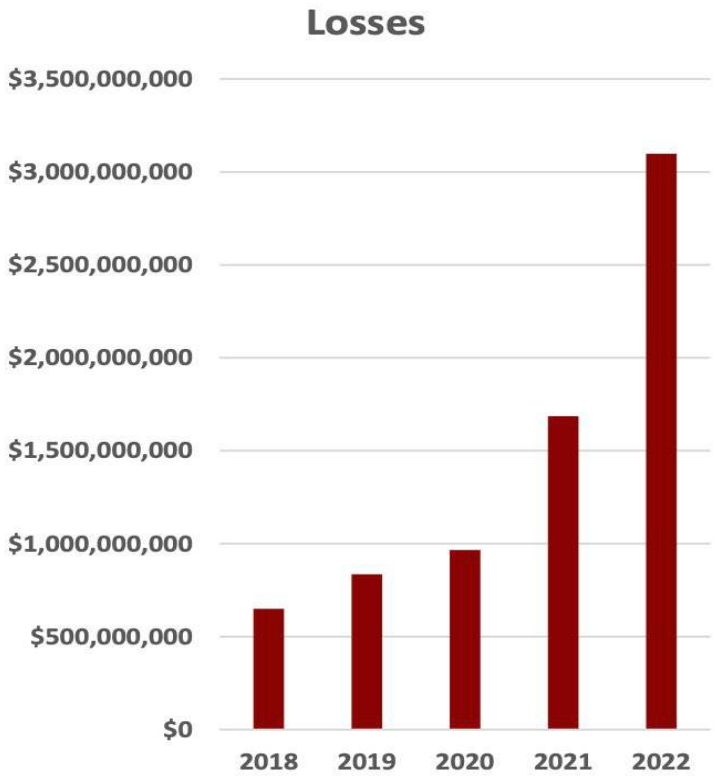
Top Payment Method:
Cryptocurrency

Top Contact Method:
Social Media

Rank	State Name	# of Reports	Reports per Million Pop.
1	Florida	4,155	194.7
2	Nevada	595	194.5
3	Arizona	1,361	192.3
4	Alaska	137	186.2
5	California	7,137	180.9
6	Maryland	1,109	180.4
7	Washington	1,307	171.6
8	Colorado	980	171.2
9	Hawaii	247	169.9
10	Utah	539	166.8
11	New Jersey	1,359	147.2
12	Wyoming	84	145.7
13	Virginia	1,230	143.3
14	Texas	4,017	139.2
15	Delaware	134	136.5

Victims over 60 experienced 84% increase in losses from 2021





Source: *"The Federal Bureau of Investigation's (FBI) Internet Crime Complaint Center (IC3) 2022 Elder Fraud Report".*

Undereporting of Elder Financial Abuse - 1

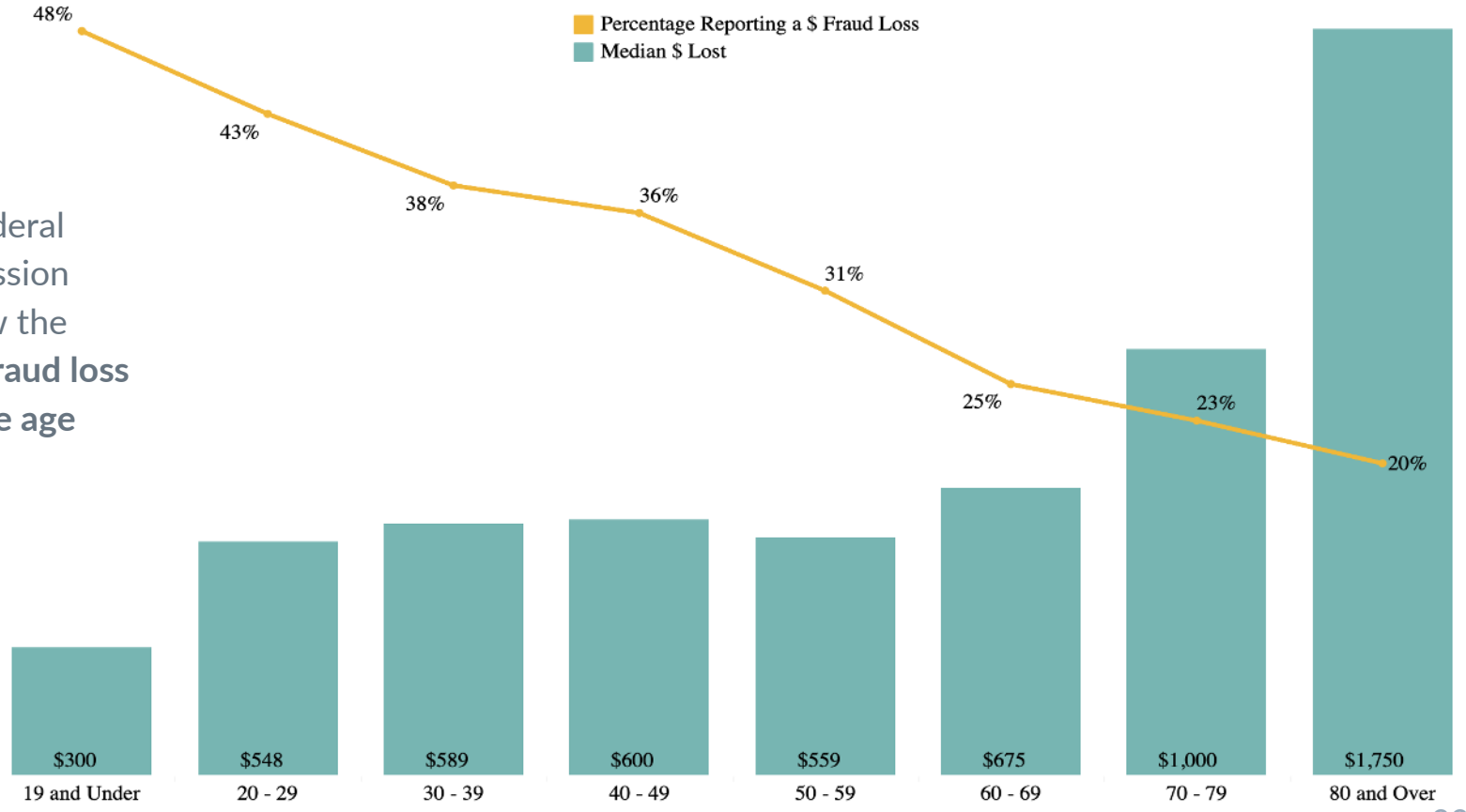
Most elderly investor financial abuse cases go unreported:

"Elder financial abuse occurs when someone illegally or improperly appropriates money or belongings from an older person for their own personal use. While this financial exploitation takes many forms, including online scams, according to the National Adult Protective Services Association (NAPSA) the vast majority of reports involve perpetrators who are related to or in a trusting relationship with the victim."

'Why the Elder Financial Abuse Goes Underreported' by Deb Taylor, July 25, 2023

Undereporting of Elder Financial Abuse - 2

Data from Federal Trade Commission illustrates how the **reporting of fraud loss declines as the age increases.**



How to Help Prevent Elder Financial Abuse

Authorities Advocate For Prevention

“While our Enforcement division is vigilant in pursuing bad actors and returning money to harmed investors – prevention is critical for this community. Often, older Americans do not have other financial resources to turn to if they have lost a substantial portion of their savings through fraud or exploitation.”

Jay Clayton, former chair of the U.S. Securities and Exchange Commission

Before Agreeing to Liquidate Retirement Savings:

- Ask for a second opinion.
  - research shows that victim isolation is one of the main prerequisites to financial exploitation. Contact a family member, friend, or trusted organization for a second opinion.
- Conduct research.
  - an internet search may reveal if an investment opportunity has been flagged as potentially fraudulent.
- Learn to spot red flags.
  - FINRA, NASAA and the SEC encourage investors to subscribe to consumer newsletters to keep up with the latest scams and scammer tactics.

Learn to Spot Red Flags – pt. 1

- "*If it sounds too good to be true, it probably is*": an investment opportunity promoted as risk-free or with guaranteed returns is often indicative of investment fraud.
- "*Buy now!*": avoid investments that come with pressure to invest within a tight deadline and without the opportunity to study and evaluate the investment.
- Lack of registration: research shows that older investors are often targeted by unlicensed or unregistered promoters. To check if an investment professional is licensed or registered, investors may:
    - Search the name of the professional at FINRA BrokerCheck or SEC IAPD.
    - Contact the state securities regulators.

Learn to Spot Red Flags – pt. 2

- **Licensed or registered professionals with problematic background**: be cautious or refrain from investing with licensed brokers or registered investment advisors whose background contain any of the following:
  - High number of customer complaints;
  - Sanctions by state or federal regulators;
  - Termination for violations of the securities regulations;
  - Multiple employers over a short period of time;
  - Past employment with multiple firms expelled from the securities industry.

Resources for Victims of Elder Financial Abuse

Victim of Elder Financial Abuse?

I. Report
   - Ohio Department of Aging
   - Ohio Attorney General
   - Ohio Securities Division
   - FINRA
   - Securities and Exchange Commission

II. Seek legal advice

Ohio Department of Aging

To contact Ohio Department of Aging, call 1-800-266-4346.

Mailing address: 30 E Broad St 22nd floor, Columbus, OH 43215- 2406.

For TTY, use Relay Ohio: Dial 711 and use 614-466-5500 for general information.

Ohio Attorney General

Contact for Attorney General David Yost:

Toll-free: 800-282-0515
Office: (614) 466-4320
BCI Tip Line: 855-BCI-OHIO (855-224-6446)
Office Tower 30 E. Broad St., Columbus, OH 43215
Visit the Ohio Attorney General website.

Ohio Securities Division

Contact for Commissioner Andrea Seidt

Phone no: (614) 466-3636

Mailing address:
77 South High Street, 20rd Floor,
Columbus, OH 43215

Visit the Ohio Division website.

Financial Industry Regulatory Authority

To contact FINRA Securities Helpline for Seniors call 844-57-HELPS (844-574-3577).

To check the background of a broker or brokerage firm, or an investment adviser or investment representative, visit the FINRA BrokerCheck database. For assistance call the FINRA BrokerCheck Hotline at (800) 289-9999.

Main FINRA Phone Number: (301) 590-6500.

To file a complaint with FINRA, visit FINRA Investor Complaint Center.

Securities and Exchange Commission

SEC's toll-free investor assistance line: (800) 732-0330.

Fax: (202) 772-9295

Mailing address: U.S. Securities and Exchange Commission Office of Investor Education and Advocacy 100 F Street, NE, Washington, DC 20549-0213

To check the background of a broker or brokerage firm, or an investment adviser or investment representative, visit the Investment Adviser Public Disclosure website.

To file a complaint online visit the SEC Investor Complaint Form page, or send an email at help@sec.gov.

Visit investor.gov for additional information and useful resources.

Seek Legal Advice – pt. 1

Victims of elder financial abuse and/or their family members, caregivers, and non-legal professionals such as CPAs or advisors should consider seeking the help of experienced legal counsel.

An attorney who has experience with elder financial abuse matters may help spot elder financial abuse and suggest the appropriate course of action for elder financial abuse victims.

Seek Legal Advice – pt. 2

Ask about upfront costs or fees: law firms that represent elderly clients may be willing to take financial abuse case on a contingency fee basis. This means that the law firm will not ask for any attorney's fees in advance, and will be paid for its fees only if it secures a successful outcome.

Ask about free consultations: it is not uncommon for law firms that represent elderly clients to offer free case evaluations to potential victims and/or their family members.

Take Action Without Delay

If you suspect elderly financial abuse, you should *take action* without delay.

Legal claims related to investments are typically *subject to time limits* and may be lost if not pursued in a timely manner.

Evidence may be lost, witness memories may fade, perpetrators may run away or go bankrupt.

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Investor Advocates