

# Protecting the Financial Health of Your Clients

Scams against older adults have reached epic numbers. Professionals in the aging industry can educate clients about how to protect themselves.

*By Liz Loewy, Esq*



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# Protecting the Financial Health of Your Clients

Scams against older adults have reached epic numbers. Professionals in the aging industry can educate clients about how to protect themselves. BY LIZ LOEWY, ESQ.

Elder fraud has reached epidemic proportions in America. Scams targeting older adults are devastating for victims — and their caregivers as well. Professionals who work with older clients are often the first to notice age-related issues that increase the risk of financial exploitation. Recognition of the problem by regulators, continuing education of professionals and families about current scams, and new technology tools will help professionals better protect at-risk clients.

*An 87-year-old widow, hospitalized for renal failure, discovered that her younger sister used a power of attorney to gamble away her life savings while she was incapacitated. A nursing home resident from Austria, whose family escaped the Holocaust, was defrauded by her accountant. He transferred over \$1 million of her funds to himself for “expenses” that included courtside seats to sporting events and repairs to his hot tub. The son of a wealthy philanthropist coerced his mother into signing estate documents years after learning that she was diagnosed with Alzheimer’s disease, redirecting tens of millions in charitable bequests — to himself.*

What do these stories have in common? They all reflect actual cases I prosecuted during my tenure in a district attorney’s office. And they are typical of fraud schemes targeting seniors across the country. The value

of stolen funds varies — and most go unreported. But there are common themes.

## Victims are Often Vulnerable and Known to Their Exploiter

Not surprisingly, older adults who have physical or cognitive challenges are commonly targeted by scammers. When they are hospitalized or suffering from diminished capacity, they are particularly vulnerable. Exploiters who target individuals with age-related memory loss or dementia routinely argue that the transfer in question was authorized or “a gift.” As the infamous Willie Sutton wryly remarked, thieves rob banks because “That’s where the money is.” Americans over age fifty now hold approximately 83 percent of U.S. assets (AARP & Oxford Economics, 2016), but one in three older adults dies with dementia (Alzheimer’s Association, 2020), illustrating why elder fraud has become a \$36 billion business in the U.S.

Exploiters are often known to their older, vulnerable victims. Family members and caregivers are the most common offenders, according to many prevalence studies (Hafemeister, 2003). Caregivers who have a fiduciary duty to their older relative (e.g. a power of attorney) may ultimately become motivated

by greed, rationalizing that they “deserve” a gift or payment for the assistance they willingly provided. Cases involving family members who feel that they are entitled to their older parents’ money or property often end up in criminal or civil court — even if they are the sole beneficiary of a will.

### Fraud Schemes Persist for Years

Scammers are often able to operate for months or years before their scheme is discovered. Why? Exploiters are smart. They don’t routinely steal large amounts from one account, in one fell swoop. Instead, they start small, and then target different accounts and institutions over time. This makes it far less likely that any one bank, firm, or credit card company will flag an erratic transaction as potentially fraudulent. In that financial institutions are not generally authorized to share information with each other about a specific customer because of privacy regulations, scammers are able to fly under the radar. Thus, none of the above cases were referred to law enforcement by the victim’s financial institution — despite a number of red flags. Instead, the schemes went on for years before finally being uncovered by a relative or professional working with a family member. In most cases, a loved one or professional senses that something isn’t quite right with the older adult and asks the right questions. The cases are vastly under-reported. A study in New York State found that only one in forty-four cases of elder financial exploitation is self-reported (Lachs & Berman, 2011).

### Elder Fraud is Costly to Victims and Caregivers

Elder fraud has been characterized as a “virtual epidemic” (Deane, 2018). It has devastating effects on seniors and their loved ones. Victims lose an average of \$120,300 per incident (Jenkins, 2016). Caregivers, too, lose \$36,000 on average (Allianz, 2014). Sadly, most victims who are retirees have no way to earn back stolen funds. Loved ones become their lifeline, often incurring financial stress and lost time at work in the process. A recent study examining the mortality rate for survivors of different types of substantiated elder abuse found that victims of financial exploitation had the lowest survival rate — lower than domestic violence, sex crimes, or physical abuse, and tied with caregiver neglect (Burnett et al., 2016). All of the victims in the above sample cases passed away shortly after they were defrauded.

### Recognition and Solutions

Professionals who work with older clients may be the first to notice issues which increase their vulnerability

to scammers. Moreover, there is growing research suggesting that an individual’s issues in managing his or her finances may be an early indicator of age-related, diagnosable cognitive impairment (Fletcher, 2018). Financial services professionals now routinely educate their employees about ever-evolving scams as well as steps they should take if there are signs that a customer may be in jeopardy. Regulators and legislators have focused on vulnerable consumers as well, with new rules pertinent to reporting, training personnel, ‘holding’ disbursements, and notifying designated “trusted contacts” in certain situations when fraud is suspected (Senior Safe Act 2018; FINRA Rules 2165; 4512, 2018). A growing number of professionals are now introducing technology tools that can protect their clients’ financial health by using analytics to identify erratic activity, long before a lifetime of savings is compromised.

Consumers, too, should take steps to protect their family members’ financial health in advance of a problem. A conversation is a good way to start. A trusted professional might initiate this discussion or join the conversation later. A few important topics to consider:

- Many individuals have no idea where their parents or adult children bank, or whether they have an advisor, attorney, power of attorney, or doctor whom they see regularly. A master emergency contact list should be considered, which would include:
  - » The names and locations of financial accounts (e.g. banking, investment, retirement, mortgage, credit card) and the types of accounts. Balances need not be shared.
  - » A contact list of professionals who are or have been retained (advisor, broker-dealer, attorney, certified public accountant, insurance agent, medical professional).
  - » Whether there is a power of attorney, a designated “trusted contact” (per FINRA Rule 4512), and/or a health care proxy in place.
  - » The location of important legal documents (e.g. power of attorney, will, trust, real estate, tax, and/or insurance forms).
- Talking with family on a regular basis about current scams and how to recognize them is also a best practice. There are scams that are seasonal (such as in tax-filing season) and others that

are variations on a theme (such as lottery and advance fee fraud). AARP has a Fraud Watch Network which can serve as a helpful tool for keeping updated on the latest scams in a particular region.

- Family members and aging professionals should consider working together to establish a system to help seniors and loved ones stay on top of their financial lives. Tech tools can simplify this process — across the miles. Bill-paying services can be deployed to ensure that older clients don't fall into arrears on important payments. Robocall blockers can stop calls from unscrupulous vendors who have a talent for keeping vulnerable seniors on the phone. Digital vaults enable an individual to safely store electronic copies of documents and release them on the occurrence of a specific event. Prepaid debit cards can control spending and block purchases at specific locations. Finally, many experts believe that closely monitoring finances is the single most important way to prevent fraud and remain independent as we age. Using technology to monitor finances will provide more comprehensive protection, beyond current "static" alerts sent by financial institutions. Fraud-prevention tech tools can enable family members and professionals to serve as an extra set of eyes to monitor financial accounts, credit, the dark web and real estate, alerting a designated team to erratic activity. Older adults can't afford to wait for an isolated alert from a bank or credit card company months or years after a scammer initiates a scheme. Vigilant monitoring can save older adults and caregivers from enormous monetary loss and emotional devastation. Taking steps to protect your older clients' financial health may very well save a life. •CSA



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## ■ RESOURCE

The AARP Fraud Watch Network can be found at <https://www.aarp.org/benefits-discounts/all/fraud-watch-network/> and features tips for spotting scams, as well as a helpline.

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