# Participant/Resource Guide


Consumer Financial Protection Bureau

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

Release Date: 06-2013

## Welcome to Money Smart for Older Adults!

With over 50 million Americans aged 62 and older[1], Older Adults are prime targets for financial exploitation both by persons they know and trust and by strangers. Financial exploitation has been called "the crime of the 21st century" with one study suggesting that older Americans lost at least $2.9 billion to financial exploitation by a broad spectrum of perpetrators in 2010.[2]

A key factor in some cases of elder financial exploitation is mild cognitive impairment which can diminish an older adult's ability to make sound financial decisions.

This epidemic is under the radar. The cases tend to be very complex and can be difficult to investigate and prosecute. Elders who lose their life savings usually have little or no opportunity to regain what they have lost. Elder financial abuse can result in the loss of the ability to live independently; decline in health; broken trust, and fractured families.

Awareness and prevention is the first step. Planning ahead for financial wellbeing and the possibility of diminished financial capacity is critical. Reporting and early intervention that results in loss prevention is imperative.

Money Smart for Older Adults is designed to provide you with information and tips to help prevent common frauds, scams and other types of elder financial exploitation in your community. Please share this information as appropriate.

---

[1] 2010 Census: 57 million are 60 and over; 40 million aged 65 and over.
[2] *The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation, and Predation against America's Elders* (New York, NY: MetLife, June 2011).

## Acknowledgements

The FDIC and CFPB wish to thank the following agencies for contributing to the information covered in this course:

- US Department of Health and Human Services' Administration for Community Living/Administration on Aging – Senior Medicare Patrol
- Federal Trade Commission
- Securities and Exchange Commission
- Social Security Administration
- Financial Industry Regulatory Authority, Inc.

# Table of Contents

# Checking In

## Welcome

Welcome to *Money Smart for Older Adults*! By taking this course, you'll learn important points to consider in planning for a more secure financial future, including how to guard against identity theft and other forms of financial exploitation, how to prepare financially for unexpected life events, and what to have ready in case disaster strikes.

## Objectives

After completing this module, you will be better able to:

- Recognize and reduce the risk of elder financial exploitation
- Guard against identity theft
- Plan for possible loss of your ability to manage your finances
- Prepare financially for disasters
- Find other helpful resources for managing your money and reporting financial exploitation

## Participant Materials

The Participant/Resource Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- A glossary of the terms used in this module
- Resources for information on managing your money and reporting financial exploitation

# Getting Started

Let's start by establishing an understanding of elder financial exploitation. Financial exploitation is a form of elder abuse. Elder abuse can take many forms, alone or in combination, including physical, psychological, emotional, or sexual abuse, neglect, abandonment, and self-neglect.

## What is elder financial exploitation?

As defined by the Older Americans Act:

*Financial exploitation is the fraudulent or otherwise illegal, unauthorized, or improper actions by a caregiver, fiduciary, or other individual in which the resources of an older person are used by another for personal profit or gain; or actions that result in depriving an older person of the benefits, resources, belongings, or assets to which they are entitled.*

Elder financial exploitation is the theft of money, property or belongings.

## Who is at risk for elder financial exploitation?

Anyone can be the victim of financial exploitation. Financial exploitation crosses all social, educational, and economic boundaries.

## Why are older adults at risk of financial exploitation?

The following circumstances or conditions, especially in combination, can make an older adult more vulnerable to financial exploitation.

Older adults may:

- Have regular income and accumulated assets
- Be trusting and polite
- Be lonely and socially isolated
- Be vulnerable due to grief from the loss of a spouse, family member, friend, or pet
- Be reluctant to report exploitation by a family member, caregiver, or someone they depend on
- Be dependent on support from a family member or caregiver to remain independent
- Be receiving care from a person with substance abuse, gambling or financial problems, or mental health issues
- Fear retaliation by the exploiter

- Be unfamiliar with managing financial matters
- Be unprepared for retirement and the potential loss of financial decision-making capacity
- Have cognitive impairments that affect financial decision-making and judgment
- Be dependent on a family member, caregiver or another person who may pressure them for money or control of their finances.

## What are some examples of financial exploitation?

- Exploitation by an agent under Power of Attorney or person in a fiduciary relationship (see glossary for definition of fiduciary)
- Theft of money or property, often by a caregiver or in-home helper
- Investment fraud and scams, including deceptive "free-lunch seminars" selling unnecessary or fraudulent financial services or products
- Lottery and sweepstakes scams
- Scams by telemarketers, mail offers or door-to-door salespersons
- Computer and Internet scams
- Identity theft
- Reverse mortgage fraud
- Contractor fraud and home improvement scams

## Who are the abusers?

Perpetrators of financial exploitation can be:

- Family members and caregivers
- Friends, neighbors or acquaintances
- Persons with Power of Attorney or the legal authority to access or manage your money
- Telephone and mail scammers
- Financial advisers
- Internet scammers
- Home repair contractors
- Medicare scam operators
- Other persons known or unknown to the older adult

## Why do you think older adults don't report financial exploitation?

- **Shame and embarrassment** – Many people are ashamed to admit that they have been financially exploited.
- **Loyalty** – Reluctance to report a family member, caregiver or other person who may treat them well in other ways.
- **Fear of retaliation**, not being believed or losing their independence by being declared incompetent and moved into a "nursing home."
- **Dependence** on the abuser for care or assistance.
- **Denial** – Some victims are unwilling or unable to acknowledge that financial exploitation is happening to them.
- **Self-blame** – Abuse can erode an older person's self-esteem, and some victims may believe they deserve or have caused the abuse.
- **Lack of awareness** – Some victims are unaware that they are being exploited, or don't know to whom they can report financial exploitation.

## What should you do if you or someone you know becomes a victim of financial exploitation or another form of elder abuse?

In most cases, you would contact Adult Protective Services, generally a part of your county or state department of social services. You can find contact information at www.eldercare.gov, a public service provided by the U.S. Administration on Aging, or by calling 1-800-677-1116.

For cases of identity theft, contact your local police and the Federal Trade Commission (FTC). If the loss involves funds held in a financial institution, such as a bank or credit union, report the problem to the institution immediately.

If you have concerns with an FDIC-supervised financial institution, go to www2.fdic.gov/starsmail/index.asp

You will find more information at the end of this guide. Of course, if the person is in danger or you believe a crime has been committed, call 911 for immediate help.

# Common Types of Older Adult Financial Exploitation

This module doesn't cover all types of elder financial exploitation in depth however it does discuss the key points and give some general guidelines you can use to help you identify fraud, scams and other types of financial exploitation and tips to help you prevent it from happening. This guide also provides a list of resources that you can consult as the need arises.

**Power of Attorney (POA) or Fiduciary Abuse**

A person who is named to manage your money or property is a fiduciary. He or she has a duty to manage your money and property for your benefit however he or she may abuse that power.

The person you appoint as your fiduciary should be trustworthy and honest. Your fiduciary can removed if they do not fulfill their obligations or duties. Fiduciaries can be sued and may be ordered to repay money. If elder financial exploitation is reported to the police or Adult Protective Service, the fiduciary could be investigated. If the fiduciary is convicted of stealing your assets, he or she can go to jail.

One way some older adults prepare for the possibility of diminished financial decision-making capacity is by making a power of attorney for finances and designating someone they trust to handle their financial decisions if they no longer can.

Creating a POA is a private way to appoint a substitute decision maker and is relatively inexpensive. If you don't appoint a POA before your decision-making ability declines, a family member or friend might have to go to court to have a guardian appointed – and that process can be lengthy, expensive, and very public.

A POA does involve some risk. It gives someone else – your agent – a great deal of authority over your finances without regular oversight. POA abuse can take many forms:

- Your agent might pressure you for authority that you do not want to grant.
- Your agent may spend your money on him or herself rather than for your benefit.
- Your agent might do things you didn't authorize him or her to do – for example, make gifts or change beneficiaries on insurance policies or retirement plans.

## Different types of POAs

Some states allow for different types of POAs. Generally, a Power of Attorney goes into effect as soon as it is signed unless the document specifies a different arrangement. That means that even if you are capable of making decisions, your representative can immediately act on your behalf.

A "Durable" Power of Attorney remains effective even if the maker loses the capacity to make financial decisions.

There are different types of powers of attorney and ways to customize this document to fit your needs and preferences. Talk to an attorney for help in making a POA that is appropriate for your circumstances.

## What are some ways to minimize the risk of POA abuse?

- Trust, but verify. Only appoint someone you really trust and make sure they know your wishes and preferences. You can require in your POA that your agent regularly report to another person on the financial transactions he or she makes on your behalf.
- Avoid appointing a person who has substance abuse, gambling problems, or who mismanages money.
- Tell friends, family members, and financial advisers about your POA so they can look out for you.
- Ask your bank about their POA procedures. The bank may have its own form you are required to complete (although a POA that is valid under your state's law should be accepted by financial service providers).
- Remember that POA designations are not written in stone – you can change them. If you decide that your agent isn't the best person to handle your finances, you can revoke (cancel) your POA. Notify your financial institution if you do this.
- Avoid appointing hired caregivers or other paid helpers as your agent under Power of Attorney.
- Beware of someone who wants to help you out by handling your finances and be your new "best friend." If an offer of help seems too good to be true, it probably is.

**Plan ahead!** A durable power of attorney is a very important tool in planning for financial incapacity due to Alzheimer's disease, another form of dementia, or other health problems. It is advisable to consult with an attorney when preparing a power of attorney, trust or any legal document giving someone else authority over your finances.

If you or a loved one is a victim of financial exploitation by a fiduciary, take action immediately and make a report to Adult Protective Services or your local law enforcement agency.

## Abuse by Caregivers and In-Home Helpers

Family members and caregivers are common perpetrators of elder financial exploitation.

You can take steps to guard against financial exploitation if you or your loved one needs someone to help at home.

- Secure your valuables such as jewelry and other property.
- Secure your private financial documents including checks, financial statements and credit cards. ***Consider a locked file cabinet.***
- Require receipts for purchases made by helpers.
- Monitor bank accounts and telephone bills – Ask for help from a third party, if needed, and consider an automatic bill pay system. Consider setting up transaction alerts that are monitored by a family member or other third party.
- Do not let hired caregivers or helpers open your mail, pay your bills, or manage your finances.
- Never promise money or assets to someone when you die in exchange for care provided now.
- Never lend employees money or personal property.
- If you have trouble reading your statement, ask your bank if a second copy of your bank statement can go to someone who can read it for you. (Also, your bank may be able to send you your bank statement in large print.) This person does not need to have authority to act on your behalf.
- Never let caregivers use your credit/debit card to run errands or make purchases for you.

## Investment Fraud

We've all heard the timeless saying "If it sounds too good to be true, it probably is." As an investor, these are good words to live by. The trick is knowing when "good" becomes "too good."

### Senior certifications and designations

A popular practice among financial services salespeople is to identify themselves by a "senior designation" to signal that they have expertise in retirement or the investment needs of older people.

The requirements to earn and maintain a senior designation vary considerably. Programs of study range from weekend seminars to two-year graduate programs. The initials on a business card don't provide information about the quality of the designation. Some designations indicate extensive knowledge in senior financial needs, while others are merely marketing tools.

While the vast majority of investment advisers, financial planners, and broker-dealers are honest and reputable, it pays to check on a senior designation if you are presented with one. Be wary of investment scams, including the ones listed below.

### Common investment scams

- **Ponzi schemes:** This is an old scam with a simple formula: Scammers promise high returns to investors. Money from new investors is used to pay previous investors. These schemes eventually collapse—leaving most of the investors with a financial loss.
- **Promissory notes:** A promissory note is a form of debt – similar to a loan or an IOU – that a company may issue to raise money. Typically, an investor agrees to loan money to the company for a set period of time. In exchange, the company promises to pay the investor a fixed return on his or her investment. While promissory notes can be legitimate investments, those that are marketed broadly to individual investors often turn out to be scams.
- **Unscrupulous financial advisers:** Some advisers cut corners or resort to outright fraud or bilking older adults with unexplained fees, unauthorized trades or other irregularities.

- **Affinity fraud:** Involves targeting persons with military, religious or spiritual affiliations, by ethnic identity, etc.
- **Internet fraud – the "Dot-Con:"** Internet fraud has become a booming business. With the growing number of older adults using the Internet, it is increasingly easy for con artists to reach millions of potential older victims at minimal cost.
- **Inappropriate or fraudulent annuity sales.** Variable annuities are often pitched to seniors through "free lunch" investment seminars. These products can be unsuitable for many retirees and are sometimes sold by salespersons who fail to disclose steep sales commissions and surrender charges that impose costly fees or penalties if you decide that you need your money before the maturity date.

## How to check out your broker or investment adviser

You can check a broker's background via the Financial Industry Regulatory Authority (FINRA) BrokerCheck at [www.finra.org](http://www.finra.org) , or by calling the FINRA BrokerCheck Hotline at 1-800 289-9999. You may also contact the state securities office and Better Business Bureau.

To learn more about senior certification and designations, visit FINRA at [http://www.finra.org/industry/issues/seniors/p124734](http://www.finra.org/industry/issues/seniors/p124734). Scroll to the bottom of the FINRA page to find links to other helpful resources.

## Financial loss prevention tips

Invest wisely online and offline. Here are some important tips you should keep in mind when you are considering purchasing investment products and for protecting those investments once you have them:

- Never judge a person's trustworthiness by the sound of their voice.
- Take your time when making investment choices. Be careful of "act now" or "before it's too late" statements.
- Say "no" to anybody who tries to pressure you or rush you into an investment.
- Be wary of salespeople who prey upon your fears or promise returns that sound too good to be true.
- Always ask for a written explanation of any investment opportunity and then shop around and get a second opinion.
- Be wary of any financial adviser who tells you to leave everything in his or her care.

- Stay in charge of your money or enlist the help of a trusted third party to assist you.
- Make checks payable to a company or financial institution, never an individual.
- Retain and maintain account statements and confirmations you receive about your investment transaction.
- Document all conversations with financial advisers.
- Take immediate action if you detect a problem. Time is critical, so do not be afraid to complain.
- Don't let embarrassment or fear stop you from reporting financial exploitation or investment fraud.
- Don't put all your eggs in one basket— divide your investments among different asset categories, such as stocks, bonds, and cash held in federally insured deposit accounts

## Here are additional tips to keep in mind when considering investment products

- Have enough emergency money in a savings or other readily accessible federally insured deposit account to support you and your family for at least six months before investing in non-deposit products.
- Do your homework. Never invest in a product you do not understand.
- Attend classes, seminars, or check the business reference section of the public library to become better informed.
- Be aware that many investment professionals offer "free seminars" as a marketing technique for obtaining new clients. Be sure to check the background of the presenter, research any recommended investment products, and get a second opinion before making the decision to invest.
- Understand the risks before investing. Investments always have some degree of risk.
- Be sure your financial adviser knows your financial objectives and risk tolerance.

## Understanding FDIC insurance

If you select investment products offered by a bank, it is important to understand which of your investments are covered by the Federal Deposit Insurance Corporation or FDIC. The FDIC insures funds in deposit accounts at FDIC-insured institutions including:

- Checking
- Savings

- Money Market Deposit Accounts (MMDAs)
- Certificates of Deposit (CDs)

Another federal agency, the National Credit Union Administration, provides similar deposit insurance coverage to depositors at federally insured credit unions.

FDIC insurance protects depositors up to a capped amount in the event of a bank failure. It does **not** protect depositors from losses resulting from theft, fraud, or robbery.

FDIC insurance also does not cover other financial products and services that insured banks may offer (e.g., stocks, bonds, mutual fund shares, life insurance policies, annuities and municipal securities). These products should be sold separately by individuals who do not offer insured deposit products. Be alert when bank personnel transfer you to another "representative." **Read the disclosures carefully. Disclosures for non-deposit products must indicate that they are NOT FDIC insured.**

By law, federal deposit insurance is backed by the full faith and credit of the Federal Government. If a bank fails, the FDIC will pay all insured deposits up to the insurance limit, including principal and any accrued interest through the date of the bank closing. Federal law requires that all insured deposits be paid as soon as possible.

## Insurance coverage and ownership categories

Deposit insurance coverage is based on a depositor's ability to meet the specific requirements for an ownership category. The most common account ownership categories for individual and family deposits are single accounts, joint accounts, revocable trust accounts, and certain retirement accounts.

Each ownership category has different requirements, and the potential amount of insurance coverage for each category is based on the Standard Maximum Deposit Insurance Amount (SMDIA), which is $250,000.

For additional details on the coverage limits, requirements, and in-depth information on all account ownership categories and other types of deposit accounts, visit www.fdic.gov/deposit/deposits, call toll-free **1-877-ASK-FDIC (1-877-275-3342)**, or talk to your bank representative.

## Lottery and Sweepstakes Scams

Sweepstakes scams may come in the form of a telephone call or an email that congratulates the recipient on winning a lottery, drawing, or sweepstakes that they usually have not even entered. The scammer asks the "winner" for an upfront payment, perhaps to cover a processing fee or taxes. Another variation of this scam involves a letter, sometimes with an authentic looking "Claim Certificate" or a "check" as an advance to pay the winnings. Although bankers are generally aware of this scam and how to spot the phony checks, if deposited, the financial institution may hold the victim responsible for repayment of the entire amount of the fraudulent check and the overdraft charges that may result.

## Sweepstakes Recovery Scam

Once it is apparent that no winnings are forthcoming, the victim may receive another call from a person claiming to be an attorney representing sweepstakes winners. In exchange for an upfront fee, the so-called attorney offers to collect the winnings on behalf of the victim. Needless to say, the "attorney" is actually an associate of the original scammer.

## Telephone Scams

Older adults are increasingly the targets of scam artists on the telephone who use lies, deception, and fear tactics to convince the elder to send them money or provide personal account information. An example of a common scam Money Smart for Older Adults explores is the "grandparent scam ." In this scam, an imposter calls a grandparent pretending to be a grandchild in trouble; the scammer may even know the grandchild's name. The scammer is usually crying making it hard to recognize the grandchild's voice. The scammer pleads for the grandparent to immediately wire money and not tell any family members for fear of upsetting them. Many people will immediately jump to the assistance of the grandchild and won't ask questions until later. They also know that many older people will have experienced a hearing loss and won't detect any differences from their grandchild's voice. Or they may attribute the differences they do hear to the stress of the situation.