The Investment Letter

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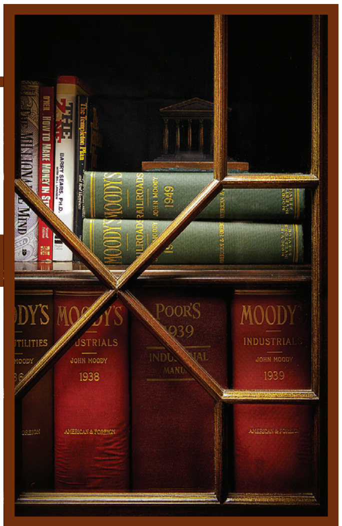

Scamming Seniors: The Ugly Underside of the Graying of America

I read recently that each day between now and 2030, some 10,000 baby boomers will reach retirement age. In fact, by 2030, one in every five people in the US will be 65 or older. Even today, the American Bankers Association reports that while one in every three Americans is over 50, this population segment holds 70% of all bank deposits and in excess of 80% of the wealth.

Despite on how the media is fixated on Millennial's, this wealth concentration is driving changes in American business – what our great economy produces and how it is marketed.

It's also bolstering dark industries – those that scam seniors. Elder financial abuse targets the oldest among us, preying on their loneliness, diminishing physical and mental facilities, and isolation. Elder financial scams can range from tax payments to cover purported winnings from fake lotteries, to home repair scams, to the grandchild scam, where a scammer calls an unsuspecting senior and demands money to cover some hardship suffered by a grandchild, often in some faraway state or foreign country.

Just How Big Is Elder Financial Abuse?

There are many reasons why this is a tough question to answer, but the main problems in estimating the scope of the issue stem from:

* Varying definitions of elder financial abuse
* Underreported cases, or cases not reported at all
* Differences in the way surveys collect information

Elder financial abuse can take a variety of forms. In some cases, a senior's money or property may be used without their permission. In others, a perpetrator may forge a senior's signature or even steal the senior's identity in order to make financial transactions without his or her knowledge. In still others, seniors may be misled or forced to sign over deeds to their property or make changes to their wills. Elder financial abuse can also be as simple as someone borrowing money from the senior and then not repaying it, or a vendor misleading a senior into purchasing a good or service that is not needed.

No one likes to admit they have been duped by a scammer, seniors included. A 2014 Allianz study found that while just 5% of seniors reported falling victim to elder financial abuse, 19% of younger adults (ages 40-64) reported they knew a senior who had been victimized by these scams. 55% of those adults went on to say that the senior did not report the crime to authorities.

A 2015 study by TrueLink Financial estimated that seniors lose some $36 billion a year to elder financial abuse. While elder financial abuse is always unethical, it is not always illegal. That same study found that nearly half of that $36 billion was stolen deceptively, but still by legal means.

Who Commits Elder Financial Abuse?

There's a perception that elder financial abuse is perpetrated mostly by strangers who come to the door or call on the phone. In fact, the vast

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majority of elders (80%) and their close family and friends (69%) citied telemarketers as the most likely source of fraud, reality actually shows family members, friends, and caregivers as those most often perpetrating these frauds.

Those closest to the senior may not even realize they are committing elder financial abuse. Often, abusers rationalize their actions by believing that they will one day inherit the assets anyway or that the assets are payment for the care they are providing. Sometimes, they justify their behavior by believing that the money will otherwise be 'lost' to a nursing home or to some other long-term care expense someday.

The Effects: More Than Just Financial

While the 2014 Allianz study found that seniors who fell victim to fraud face an average loss of $30,000, some 10% of those seniors lost more than $100,000. But, the impact of elder financial abuse extends beyond losing just money. Besides suffering hits to their credit, emotional health and physical health, victims of elder financial abuse may lose their homes, be forced to skip medical care or to forego food to make ends meet. In fact, it is estimated that nearly 1 million seniors forego food due to financial abuse. This can result in depression, anxiety, and loss of independence.

Protecting Seniors

In the financial services industry, banks, for their part, have begun to implement training programs, on customer privacy and to help employees recognize the signs of early cognitive decline in their clients.

Legislatively, the Senior Safe Act, a federal law, was enacted last May. The act empowers bankers, credit unions, investment advisers and brokers to report cases of possible senior abuse to police and adult protective services, without having to worry about being sued for potentially violating privacy laws. While enabling those in the financial services sector to report these cases, the act requires firms to train their employees so that they can better recognize and report suspected abuse, before immunities granted by the act apply.

Resources

If you find or suspect yourself the victim of elder financial abuse, many state and federal resources exist to help you report the abuse and work towards recovery. On a national level, resources such as the Consumer Financial Protection Bureau, Federal Trade Commission, FinCEN, and the SEC offer help and assistance to seniors concerned about elder financial abuse. Help and resources also exist at the state level and are often just an internet keyword search away. In financial services, FINRA, the Financial Industry Regulatory Authority, has established a toll-free number for senior investors (844-57-HELPS) if they feel they have fallen victim to frauds related to their brokerage accounts and investments. We at Investment Counsel also stand ready to help our clients, please contact us if you have questions about elder financial abuse, or feel you are being unduly pressured to make a financial transaction by anyone, including a family member. ■

Investment Counsel News

Inside the Office

Should you or your tax preparer require any information on your 2018 returns, as always, please contact us and we will be pleased to forward the information.