



# THE UKRAINIAN NATIONAL ASSOCIATION FORUM

## Insurance MATTERS...

by Irene Jarosewich

### Cons and scams: The problem of elder financial abuse

Elder financial abuse – the theft of money or identity by fraudulent misrepresentation – has become rampant in recent years, resulting in billions of dollars of financial loss annually for America’s seniors. Yet, according to a survey conducted in 2012 by a leading financial planning association, elder financial abuse is rarely reported by the victims themselves, who fear repercussions such as being declared incompetent to manage money, or are embarrassed about being swindled, or are simply confused about how the rip-off actually happened.

When your wallet or purse has been stolen, it is easy to know that you have been robbed. However, with slick investment schemes or smooth-talking identity thieves, theft of money or identity is not always so clear. One of the reasons for the increase in scams is precisely because recognizing what is a scam and what is not is becoming more difficult. Scam artists use tactics very similar to those of legitimate businesses and investments, including sales pitches, marketing materials, personalized e-mail messages and professional websites. To further complicate matters, many investment ideas and financial products are not scams; rather, they are just bad ideas – perfectly legal, just maybe not a smart choice.

The elderly are choice targets for financial abuse, since seniors often have significant amounts of money in the form of accumulated savings, annuities or substantial home equity – choice pickings for financial

vultures. The burden of elder financial abuse also weighs heavily upon the middle-aged in our society. According to the Pew Center, one in four individuals takes care of elderly relatives, including managing finances, with the average age and gender of the caretaker being a 49-year-old woman.

Certain scams, for example, attempts to use credit card or bank accounts without your knowledge or permission, is straightforward. Other schemes are more sophisticated, letting you keep your identity, but trying to convince you to willingly give up your money for a fraudulent investment. One common type of fraud is to convince you to borrow against your home equity or cash out an insurance policy or annuity in order to purchase a new investment and “get a higher rate of return.” Taking on debt or trading in secure annuity income for higher risk investment in your senior years is not a strategy recommended by legitimate financial advisors. Anyone asking you to do this should set off bells of warning.

Another fraud is phony information seekers, people who call and claim to be from a bank or a government agency. The caller will ask to confirm personal information, claiming, for example, to be from the Social Security Administration and will begin with a simple question such as “I’d like to confirm your full name. Can you please spell it for me?” then proceed to ask about address, bank name and number, Social Security number, etc.

Unless you initiate the phone call, never

give out any personal information. If you receive a message on your voice mail to call your bank or a federal agency, do not call the number left on the voice mail, but call back the bank or agency on the main number listed with directory information. Ask to speak with a manager and tell them about the message you received. If there really is a problem with your bank account, credit card or a federal payment, most managers will be able to track it down.

If you receive a letter, e-mail or phone call implying that you have won a sweepstakes, or that somebody has left you money, be suspicious. Con artists use the lure of a sweepstakes prize or unexpected inheritance to convince seniors to provide personal information or send money, telling the senior that all they need to do is pay some of the taxes or service charges up front.

Most states have an Office of Consumer Protection that offer similar advice, which includes the following.

- If you receive an unsolicited phone call, never provide personal information.
- Check your financial statements often for irregularities.
- If you are the victim of bank or credit card fraud, report it immediately.
- Do not send money to unsolicited offers received in the mail claiming that you are a prize-winner or that somebody included you in their will.
- Before investing: verify broker; verify investment; calculate risk versus reward; test your understanding of the investment and explain the risk and rewards aloud to someone you trust. (To help verify if broker/advisor or investments are legitimate, see links below).
- Investment prospectus or information is not “proprietary” or “secret.” Such words are a tip off to a possible scam. Registered investments are required to be open and transparent with information.
- Do not provide verbal, recorded authorization for an investment.
- Legitimate brokers and advisors will meet with you at their office or will meet you for the first time in a public place, such as a restaurant; be wary of strangers who

insist on meeting you at your home “for your convenience” to discuss a potential investment, including those who knock on your door and ask “to come in for just a few minutes” to share some information.

- Do not succumb to pressure or claims of urgency with phrases such as “time is running out,” “opportunity of a lifetime,” “must act now” or phone messages such as “it is urgent that you contact us immediately.” Insist on time to review printed materials, contracts.

- Be wary of questions such as “do you have annuities or insurance policies that you can cash out?” “How much in savings can you spare?” “Since rates are so low, have you considered borrowing against your home equity?”

- Almost everything that promises a “quick profit” or “big return on investment” carries high risk.

To increase the protection of elderly against financial abuse, both seniors and their middle-aged children could use the following resources. To find out information about a broker, investment advisor or firm, go to [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx) or visit BrokerCheck at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>. To learn more about investments, as well as investment scams, visit the FINRA Investor Education Foundation website at [www.saveandinvest.org](http://www.saveandinvest.org), the SEC at <http://www.investor.gov>, as well the Better Business Bureau website at [www.bbb.org/smartinvesting](http://www.bbb.org/smartinvesting).

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