

WHAT IS ELDER FINANCIAL ABUSE?



Recently, U.S. prosecutors filed charges against more than 400 people around the world accused of **defrauding older Americans of more than \$1 billion** in total. It was the largest crackdown on **elder financial abuse** in history, aimed at curbing a problem that quadrupled in costs to consumers in a span of four years.

Elder financial abuse is widespread and prevalent, even ensnaring the 95-year-old former director of the CIA and FBI, William Webster. Webster was the target of a Jamaican scammer in 2014 who offered him a sweepstakes prize of \$72 million and a new Mercedes Benz. All he had to do to receive the money was pay \$50,000, he was told. However, when Webster refused to participate, the scammer then started making threats that scared Webster and his wife enough to ask the FBI for assistance. The FBI eventually lured the scammer to the United States and arrested him.

What Is Elder Financial Abuse?

The Older Americans Act of 2006 defines elder financial abuse as the “fraudulent or otherwise illegal, unauthorized, or improper act or process of an individual, including a caregiver or fiduciary, that uses the resources of an older individual for monetary or personal benefit, profit, or gain, or that results in depriving an older individual of rightful access to, or use of, benefits, resources, belongings, or assets.”

Medicare Advantage reports that **older adults lose more than \$36 billion every year** to scams, fraud, and exploitation. Up to 37 percent of seniors in the U.S. fall victim to some form of financial abuse. Two-thirds of these crimes are perpetrated by family, friends, and other trusted individuals.

Common types of elder abuse include:

- Scams involving impersonators. This includes lottery or prize scams, as well as home repair scams in which someone goes to the elder's home, offering services such as roof or driveway repair and asks for payment in advance. The scammer then pockets the money and leaves without completing the work. Scams may also involve individuals pretending to be law enforcement claiming that the senior owes a fine, or the representative of a phony charity seeking donations. The scammer may even impersonate the senior's grandchild and ask for money to help with an unexpected hardship.
- Predatory lenders. Older Americans are often pushed into reverse mortgage scams and high-interest loans through high-pressure tactics and fraudulent misinformation.
- Identity theft. The social security number of an older American is an attractive target for scammers looking to assume a false identity to open up a line of credit or obtain fraudulent credit cards.
- Abuse from family and friends. Seniors may become the target of family and friends through abusive tactics, such as a family member abusing a power of attorney to acquire money and possessions, accessing the senior's bank account to withdraw money or make unauthorized purchases, or demanding money through threats of violence or withholding of care.

One of the most difficult forms of financial abuse to detect is [abuse that takes place in the nursing home](#). Often, nursing home residents are dealing with cognitive and physical decline, making them particularly dependent on facility staff. Residents are often without the guidance and protection of family members.

Some of the ways that financial abuse occurs in nursing homes include:

- The theft of personal property that a resident has brought to the home by facility staff or other residents.
- Forcing a resident to sign over possessions or to pay money for services that haven't been rendered or that were already covered through insurance.
- Forging a resident's signature on financial documents or cashing a resident's checks without authorization.
- Facility staff using threats or coercion to convince a resident to give them monetary gifts.

Because of the potential for financial exploitation, the federal government has made a list of nursing home residents' rights. These rights include a right to manage your own money and a requirement of facilities to provide written information regarding the services that they provide and the fees that are associated with those services.

Signs of Elder Financial Abuse

According to the Consumer Financial Protection Bureau, some [telltale signs](#) that indicate the possibility of elder financial abuse include:

- The senior's possessions begin to disappear without explanation or with an explanation that doesn't make sense.
- Seniors are told that they need to sign a document or make a decision now, or they will lose out on a possession or needed service.
- A person claims that he or she has the authority to manage a senior's care or finances, but doesn't have the proper documentation to prove it.
- Unpaid utility bills.
- Reduced communication with family members.
- The elderly individual's checkbook or check register shows frequent checks made out to cash, or check numbers are out of sequence.
- New "best friends" who accompany the senior to the bank and/or are added as signatories on the senior's bank account.
- Closing CDs or accounts with no regard to penalties.
- Frequent and costly gifts are provided to staff members and volunteers at the nursing home.
- Sudden changes to the senior's will or other financial documents.
- An unanticipated transfer of assets to a family member or friend.

Why Are Seniors Vulnerable to This Type of Abuse?

According to an article from Forbes, the problem of elder financial abuse is now so widespread, it has been dubbed [the crime of the 21st century](#). Women are more commonly the victims of this type of abuse than men, and victims of financial exploitation are most often between the ages of 80 and 89.

While financial abuse can victimize anyone of any age, seniors are particularly vulnerable because:

- They have more wealth. Older baby boomers have a median net worth of \$241,000, making them attractive targets for those looking to take advantage.
- They are more trusting than younger generations. Baby boomers are most likely to answer yes if asked whether most people can be trusted. Older people tend to have less activity in the part of the brain that controls interoceptive awareness, also known as the gut feeling. This makes them less likely to perceive a risk when dealing with an untrustworthy person.
- Increasing difficulty with financial decisions. As we age, our financial literacy declines, causing us to lose the capacity to make sound decisions. However, while financial capacity declines, the level of confidence one possesses does not. This makes many seniors unaware of their high level of financial vulnerability.
- Seniors often feel isolated as their health declines, and they are less able to participate in community activities. Companionship is a strong pull and is often an important tool used by those wishing to take financial advantage of older Americans.
- Advances in technology. While technology has brought many wonderful things to society in recent years, it has also increased the ways people can take advantage of others. Seniors are often unaware of how to protect themselves online and how to avoid being a target.

- Fear. Individuals who wish to take financial advantage of a senior may use an elder's dependence to keep him or her silent. Seniors may fear losing their independence or being placed in a nursing home if they refuse to go along with the abuser's demands. If the abuser is a family member, the older person may be afraid of getting that person in trouble with the law by [reporting the abuse](#).

The Impacts of Elder Financial Abuse

The effects of elder financial abuse extend far beyond financial losses. According to a recent study, 68 percent of financial planners who responded to a survey stated that [the emotional impact of fraud on the elderly is significant](#), rather than minimal.

Some of these impacts include:

- A loss of trust, even of close friends and family members
- Depression, shame, anger, and other negative emotions
- Declining physical health, due to stress and the inability to afford care or nutrition
- Loss of one's home or car or the inability to pay one's bills
- Dependency on government assistance

Prevention Tips

While it is impossible to foresee all forms of financial abuse and avoid them before they happen, older Americans and their families can prevent financial abuse by:

- Remaining socially active to prevent feelings of isolation that often lead to a senior falling prey to abuse.
- Avoiding joint bank accounts with family members. While it may seem like an easy way for a family member to ensure that the senior's needs are being met, a joint bank account actually opens the door for financial abuse.
- Carefully choosing a trusted family member to hold power of attorney over the elderly individual. Be wary of giving power of attorney to an adult child who is struggling with his or her own personal finances or has had trouble with addiction.
- Not giving up their homes. Many seniors, when moving to a nursing home or assisted living facility, sign their home over to family members to handle its sale. However, for many individuals, their home is the most significant asset that they own. Accordingly, it should remain in your possession until you choose to sell it.
- Planning ahead, before your ability to make sound financial decisions declines. Seek advice from a reputable attorney or financial planner regarding the protection of your assets and your financial planning options.
- Never giving financial information, such as your Social Security number or your bank account number, to anyone over the phone, unless you initiated the call, and you are certain that the party requesting the information is trustworthy.
- Always shredding receipts, bank account statements, or unused credit card offers before throwing them away.

- Never paying a fee to collect lottery prizes.
- Never making financial decisions immediately. Always ask for details in writing, get a second opinion from someone you trust, and turn to an attorney or financial advisor before signing documents that you don't understand.
- Carefully checking references and credentials before hiring anyone to perform repairs on your home or provide you with care. Never allow someone who works for you to have information or access to your finances. Never hire someone who knocked on your door to perform work for you. Reputable businesses do not have to send their workers door-to-door to solicit business. If you need a repair done on your home, ask people you can trust to recommend a company that they've used before.
- Feeling free to say no—even to family members and friends. It is your money and your choice. If someone has threatened or intimidated you or your family member, call [Adult Protective Services](#) to report the situation.
- Having candid discussions with adult family members who are asking for money. Make sure they understand that you need your money to pay your expenses. If you can't pay your own expenses, it may create a burden, not only for you, but for your family members as well.
- Remembering the old adage: If it sounds too good to be true, it probably is.