Fraud, Scams, and Financial Exploitation: How advisors can educate, intervene, and support clients

The MIT AgeLab's Preparing for Longevity Advisor Network hosted a webinar to discuss the challenge of addressing financial fraud, scams, and exploitation perpetrated against older adults. AgeLab researchers Sophia Ashebir, Taylor Patskanick, and Julie Miller gave a presentation to financial advisors on the unique susceptibility of older adults to fraud, barriers and challenges to starting conversations with older clients about fraud as an issue, and practical steps for advisors to assist clients who may be vulnerable.

Prevalence of fraud among older adults

Sophia Ashebir opened the presentation with an overview of the topic of financial fraud among older adults. She noted that fraud is perpetrated commonly both by strangers and by individuals that the victim knows, such as friends, family, and neighbors. Older adults are far more susceptible to being targeted for fraud than younger people, and are more likely to engage with the perpetrator of fraud.

What makes older adults such common targets for fraud? For one, they are more vulnerable: older people are less sensitive to threats and more trusting of others, according to prior research, and are also more likely to suffer from cognitive decline. For another, they are more lucrative for scammers: older people are more likely to have wealth and assets than younger individuals.

Who exploits older adults?

Strangers: 51%
Family, friends, neighbors: 34%
Businesses: 12%
Medicare/Medicaid fraud: 4%[1]

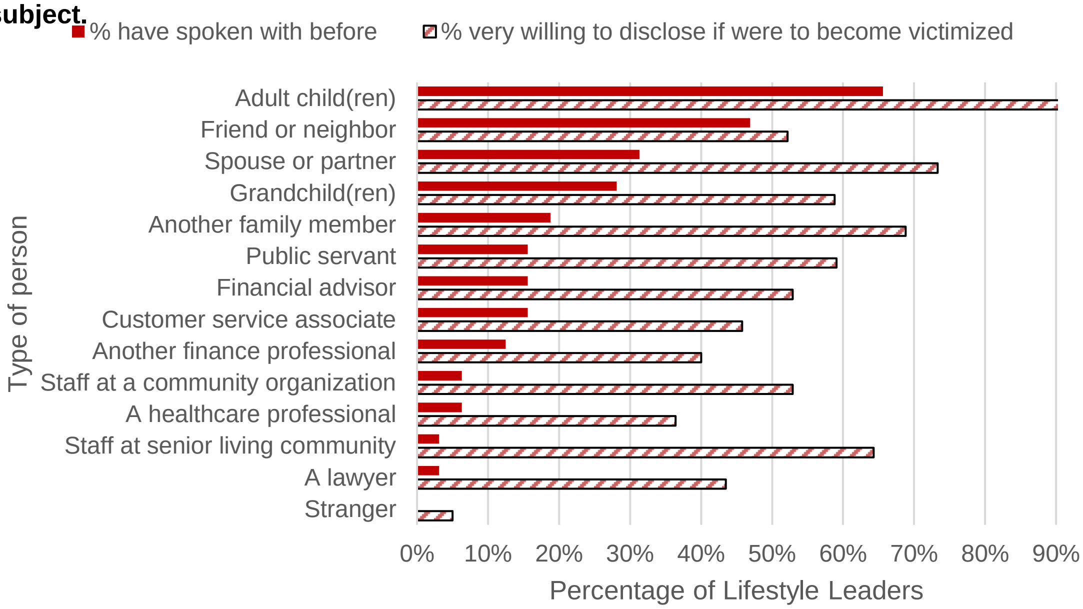
Compared to younger respondents, people age 65+ were more likely to:

Be solicited (93%)
Engage (49%)
Have lost money (16%)[2]

[1]FINRA Investor Education Foundationa (2013). Financial Fraud and Fraud Susceptibility in the United States. Accessed from https://www.finrafoundation.org/sites/finrafoundation/files/financial-fraud-and-fraud-susceptibility.pdf
[2]Metlife Mature Market Institute (2011). Crimes of Occasion, Desperation, and Predation Against America's Elders. https://ltcombudsman.org/uploads/files/issues/mmi-elder-financial-abuse.pdf

Findings from the Lifestyle Leaders Panel

Taylor Patskanick continued with a discussion of findings from the AgeLab's 85+ Lifestyle Leaders Panel, a research cohort of adults ages 85 and older, on the panelists' experiences with fraud and exploitation. 33 percent of the panelists had been victims of fraud in the past five years, with an additional 40 percent saying that they had nearly been victims at least once in the same period. In an online survey administered to the panelists, most respondents said that they believed that older adults are at greater risk of financial fraud than other age groups. But in focus groups, the panelists stressed that they did not see themselves as more susceptible to fraud due to their age**. Around half the panelists said that they would not be willing to discuss financial fraud with professionals, including financial advisors, lawyers, and healthcare professionals, partly due to feelings of shame and embarrassment about the subject.**



The advisor's perspective

Advisors who attended the webinar provided their own perspectives and recommendations on combating financial fraud.

Utilizing community resources:

"In doing this work [on addressing fraud] … you have to become familiar with your local area agency on aging, [which] is driven normally through your townships. And you've got to find the offices that serve more older adults or the senior population in either the town or the township that you live in."

Becoming alerted to risk:

"[A case of a client being defrauded] was a wake up call for us, that we needed to be more aware of these things and we needed to trust our intuition. If somebody says, 'oh that's just Mom, that's just Dad, he's always been that way - you know what, odds are they probably haven't always been that way."

Resources and tools within firms:

"I know that we've got within our firm, and I think other large firms [also] do it, they have required courses that we have to go through [for] dealing with these issues around fiduciary responsibility. One other thing I'd point out, is most firms, I think all firms, have an internal designations they can put on [a client] - we call it an e99 code and it codes the account to make him or her a 'vulnerable person.'"

Obstacles to conversations:

"I would say that the biggest issue that I've come up against in dealing with this is just simply that people are embarrassed. They are desperately embarrassed. Think about if something like this happened [to you], do you want to go tell your best friend hey.: That guy at this place scammed me out of 50 bucks, or, you know, how about 50,000."

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Action items, key actors, and red flags

Julie Miller provided some practical steps for advisors to better assist clients who may be vulnerable to financial fraud, including high-level goals to reduce fraud, key actors in the space of fraud prevention and response, and red flags for advisors to look for when working with older clients or family members.

High-level action items

- Destigmatize financial fraud, scams, and exploitation
- Increase financial literacy and financial management techniques
- Improve technology literacy
- Explain legal protections and community resources
- Promote community-based bystander intervention strategies

Who can be part of the team?

- Elder Law Attorney
- Police
- Concerned Loved Ones
- Medical Provider(s)
- Area Agency on Aging
- Other Financial Professionals

Who has jurisdiction?

- Adult Protection Services (APS)
- Police
- Federal Trade Commission (FTC)
- Consumer Financial Protection Bureau (CFPB)
- State Attorney General's Office, Consumer Protection Division
- State Department of Labor, Licensing and Regulation (DLLR) Division of Financial Regulation

Red flags - client behavior

- Older adult has someone new living with them
- Personal property is missing
- Sudden change in mood, demeanor
- New "friends"
- Older adult shares concerns over money/possessions

Perspective from an 85+ Lifestyle Leaders Panel Member

"I think as we get older and more infirmed, we just as soon [prefer] not [to] have everybody know all our aches and pains … one of our big aches and pains was the fact that we were scammed, and we certainly did not go around talking about it. It took me a couple of years to even mention it to anybody."

Summary & implications for practice

- Older adults are uniquely vulnerable to financial fraud, scams, and exploitation. They are more likely to be targeted due to possessing higher levels of wealth than younger age groups, being dependent on others to manage their affairs, and psychological changes that make them less sensitive toward possible threats.
- Not only strangers, but friends, family, and neighbors can be possible perpetrators of fraud.
- Discussing fraud can be a sensitive and even shameful topic for some older clients. Some clients may not disclose an experience of fraud even to their own family members. For an older client to share their experience or worries about fraud with an advisor, a safe and non-judgmental conversational space is important.
- Advisors do not have to act alone in addressing potential financial fraud. A network of actors, such as an older client's loved ones, area agencies on aging, other financial professionals, and the Consumer Financial Protection Bureau can be tapped into by an active and concerned advisor.

Invite others to join PLAN!

agelab.mit.edu/plan

The context of how we live in retirement has changed, and a new approach to anticipating, planning and preparing for older age is accordingly needed. We invite financial advisors, retirement planners, and others in the retirement industry to join PLAN to contribute to the understanding of the future of advice and be among the first to learn key research takeaways.