

Stop the Scam

Elderly parents or family members with cognitive impairments are especially vulnerable to financial abuse. Safeguard your loved ones with these strategies.

BY FREDRICK KUNKLE

The telephone seemed to ring all the time for Robert Podrasky's elderly father. Too late, Podrasky figured out why: His 85-year-old father was being scammed.

Callers had invited his father to play a "quasi-legal international lottery," which required him to transfer money using Money-Pak reloadable debit cards. After several small transfers, Podrasky's father hit the jackpot—or so the callers said. They told him he had won \$9 million, but would have to pay taxes on the winnings first.

By the time anyone realized what was happening, Podrasky's father, a former insurance executive who lives in New Jersey, had lost \$400,000. Law enforcement officials said it would be next to impossible to track down the perpetrators, who operated from foreign countries.

What was most upsetting was that, in retrospect, the warning signs were there. "The [bank] teller had a feeling something was going on," says Podrasky, who added that he was told that privacy laws prohibited bank officials from sharing information about their suspicions. "My dad had no recourse."

In addition to telephone scams, con artists also exploit older people's unfamiliarity with social media. In what some people call the "Hi, Grandma" scam, con artists glean bits of information from social media accounts and then contact a grandparent. The scammers pose as grandchildren, saying they've run afoul of local laws in a foreign country and need bail money right away—and they don't want their parents to know. In one case, a sympathetic grandmother wired \$10,000 to Mexico, thinking it would spring her granddaughter from jail. The woman was so embarrassed about the fraud that she never reported it, says Shirley B. Whitenack, a New Jersey attorney familiar with the details, who is also president of the National Academy of Elder Law Attorneys.



The types of fraud perpetrated against the elderly range from these Facebook-like cons to the reallocation of an older person's money for a caretaker's personal use—and they are all on the rise.

THE COST OF FRAUD

Financial exploitation of older Americans is one of the fastest growing forms of elder abuse as the nation shifts toward an older society, according to Bob Blancato, national coordinator of the Elder Justice Coalition, a national advocacy group in Washington, DC, and other experts on aging-related trends. Estimates of fraud-related losses and costs range from \$2.9 billion a year to as high as \$35 billion a year, he says. But the extent of the abuse is unclear. Government statistics on fraud are hard to find, and those who work with older people say not everyone goes to the police. "In many cases, it's not reported," says Whitenack. "There's a lot of shame, both on the part of the victim and on the part of the relatives of the victims, because they feel they should have caught it sooner."

"Everyone is at risk for being financially exploited as they get older," says Kathleen M. Quinn, executive director of the National Adult Protective Services Association. A Baby Boomer herself, Quinn says older people, in general, can become more vulnerable as the brain ages and the ability to focus and retain memories declines.

VIOLATION OF TRUST

Blancato says data suggest the typical victim is a woman between the ages of 75 and 80 who is living alone—a sizable population, considering that 47 percent of all women 75 or older now live by themselves, according to the US Census Bureau.

"Somewhere along the line, someone establishes their trust and then violates that trust," says Blancato. Typical victims have other contributing circumstances, such as dementia, that can make them inviting targets for abuse or vulnerable to simple crimes of opportunity.

A recent study found that people with mild cognitive impairment may be more susceptible to financial scams, particularly

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because of slowing perceptual speed and weakened episodic memory. The study, conducted by researchers at the Rush University Medical Center's Memory and Aging Project in Chicago and published in the October 2015 edition of the *Journal of Alzheimer's Disease*, noted that even subtle cognitive decline can make it easier for people to fall prey to such exploitation.

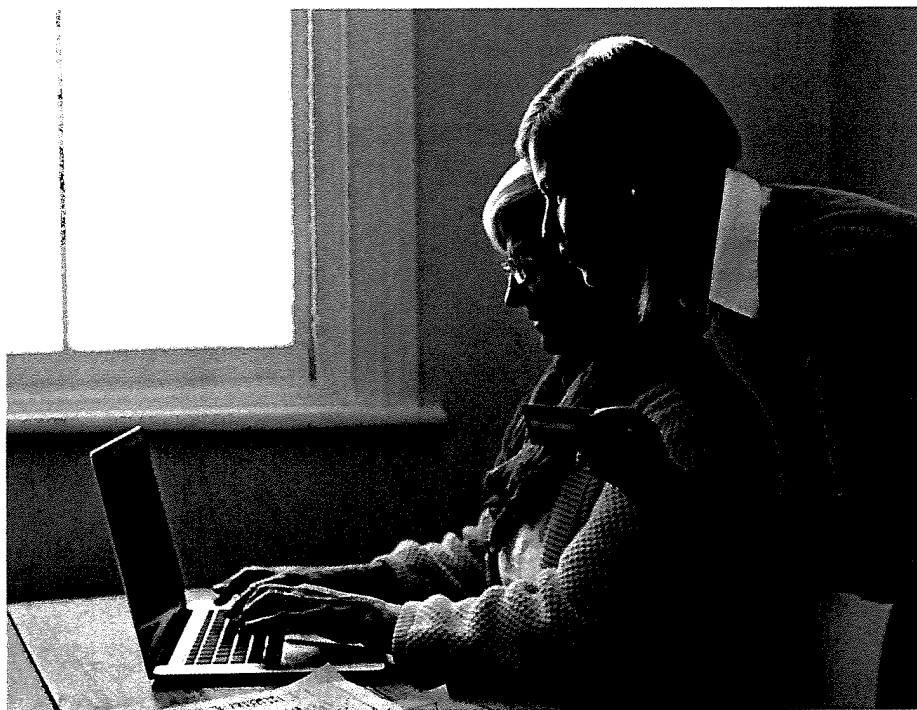
LOSS OF FUNDS

The effects of financial abuse can be devastating. One study found that 9 percent of proven victims of exploitation had their savings wiped out and had to rely on Medicaid or move to a public nursing home. Meanwhile, programs designed to help older Americans have lost funding. For example, from 2007 to 2012, almost half of state adult protective services programs had their budgets cut while case-loads continued to grow, says Quinn.

SIGNS OF CHANGE

Policy makers, businesses, and advocates for older people or people with cognitive decline are starting to pay attention, says Beth A. Kallmyer, vice president of constituent services at the Alzheimer's Association. For example, the Financial Industry Regulatory Authority (FINRA), a private self-regulatory organization, recently proposed a set of rules addressing the exploitation of seniors. Among other rules, a firm could put a temporary hold on the disbursement of funds from an older person's account if the firm has a reasonable suspicion that a fraud is taking place.

The federal government is also taking notice. In 2010, Congress passed the Elder Justice Act as part of the Affordable Care Act to allocate federal resources toward identifying, documenting, and fighting elder financial abuse. Quinn says a new voluntary reporting system for states is intended to improve documentation of financial exploitation.



In Washington, DC, the City Council is considering legislation that would allow the government to take civil or criminal action against people who use "undue influence" to take advantage of a vulnerable older person. Private industry has stepped up too. EverSafe, for example, is an online service that uses technology to monitor a senior's financial accounts for excessive withdrawals, missed deposits, or changes in spending habits.

Commercial banks have also taken steps to address the problem. Their employees are often in the best position to identify signs of a scam, but privacy laws can hinder them from alerting family members. Banks have to balance privacy concerns with security, says Robert G. Rowe III, vice president and associate chief counsel of regulatory compliance at the Center for Regulatory Compliance of the American Bankers Association (ABA). He says there is no federal standard for the industry on reporting elder financial abuse.

In general, banks are required to report irregularities to the Treasury Department if they suspect fraud, says Rowe. In practice, however, banks mostly focus on transfers that appear related to money laundering and other such crimes. It's harder to intervene when a banker believes an elderly customer is being scammed. "You don't want a banker assessing someone's competence," he says.

Some banks now offer "protected accounts" that allow third-party monitoring, Whitenack says. Such accounts allow an older person to give someone else—a sibling, say, or an adult child—transparent access to an account, but without the ability to execute transactions. The ABA singled out the Bank of American Fork, in American Fork, UT, for its educational programs and "view-only access" accounts that allow a third party to watch for fraudulent activity without giving them control of those accounts. "Little by little, you start to see steps in the right direction," Blancato says. ■

9 Ways to Short-Circuit a Scam

THESE EXPERT TIPS can help you protect a parent or other family member from being exploited. For more information, contact the Alzheimer's Association at bit.ly/Alz-Abuse or call their helpline at 800-272-3900. Social workers on staff can help. You can also find helpful advice on the Consumer Financial Protection Bureau's website at bit.ly/FinanceProtection.

1 Discuss the topic. Talk to your parents or elderly relatives about the risks of financial exploitation, says Beth A. Kallmyer of the Alzheimer's Association. You might tell your parents that precisely because you want them to remain independent for as long as possible, it's wise to put you or another trusted third party on their accounts or grant other monitoring access. Be sure to set up regular financial consulting sessions.

2 Look for evidence. When visiting an older family member or someone who is vulnerable, pay attention to sweepstakes tickets or promotional envelopes lying around, and, if you are in a position to do so, determine if any missing checks from their checkbook are not accounted for, says Kallmyer. If the telephone is ringing more often, that too could be a sign that an aging parent or relative has been targeted for financial exploitation.

3 Discourage business over the telephone. Instruct your parents or elderly relatives to ask callers to send information about their offers or proposed financial transactions in writing, says Kallmyer. You could also customize caller ID on your relative's telephone to block unidentified calls. "Keep in mind, though, that many scam callers use fake numbers so these services won't pick up on those numbers and block them," says Meredith Ponder of the Elder Justice Coalition. "However, every bit helps. Any calls that can be blocked from scammers reduces the risk."

4 Talk to the bank. Consult with your relative's financial institution about steps it can take to help keep your family member safe. More and more commercial banks allow third-party monitoring of checking or other accounts.

5 Establish checks and balances. Involve more than one other person in your parents' or adult relative's finances. If, for example, two adult children or siblings oversee transactions, talk to your parents about also appointing a trusted third party (a local pastor or other religious figure, a childhood friend, a trustworthy financial advisor or lawyer). No safeguard is foolproof, but having backup for all accounts and transactions may dissuade or deter unscrupulous behavior.

6 Obtain durable powers of attorney. Talk to your relative about giving you durable power of attorney so you can help him manage his finances and look out for fraud. These sworn agreements govern the types of financial transactions that can be performed on another person's behalf, says Kathleen A. Quinn of the National Adult Protective Services Association. A power of attorney can be tailored as broadly (writing checks, buying or selling property) or as narrowly (handling one real estate transaction) as is necessary. Unlike a regular power of attorney, a durable power of attorney survives when its creator is incapacitated. Agreements can be limited to paying bills or carrying out other financial transactions while shielding or limiting access to other assets. To safeguard against someone abusing the power of attorney, an agreement can include provisions requiring third-party monitors, such as another sibling.

7 Become a co-signer. Ask your relative to set up joint banking or investment accounts with you as the co-signer, Kallmyer advises. As a co-signer, you have access to those accounts and can ensure that no one is taking advantage of your elderly family member, especially if he or she has dementia or another cognitive ailment. Seeing overdrafts, double payments, and other problems is often one of the first clues that someone is having cognitive difficulties. It's not easy because many people are private about their finances, but broaching the topic tactfully—and approaching the issue together—can help a person cooperate.

8 Encourage regular contact. A major risk factor for any kind of elder abuse is isolation, Quinn and other experts say. Make sure an aging or vulnerable family member has regular contact with people, perhaps by enrolling in community adult-care programs or social groups. Quinn recommends making regular visits and hiring an aide to check in on an aging relative.

9 Hire caregivers through licensed agencies. If your parents need in-home care, always use a licensed or certified agency, if possible, says Quinn. No national organization certifies eldercare aides yet, but some states do. Of course, nothing is fail-safe, but accredited or certified agencies are generally more accountable. "You can find out if the agency does background checks, or if they've had any actions against them," Quinn says. "If you hire somebody off the Internet, you have to go with what they tell you, unless you can do your own background check." The National Alliance for Caregiving, which does not certify or accredit agencies, offers various guides to help you find assistance at bit.ly/ElderCareAgency.