Title

Fraud versus financial abuse and the influence of social relationships

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Source

Webinar (recording located here)

Summary of Research

Elder financial exploitation, committed by individuals in positions of trust, and elder fraud, committed by predatory strangers, are two forms of financial victimization that target vulnerable older adults. The study presented in the webinar analyzes differences between fraud and financial exploitation APS victims in terms of their health, functional dependency, cognitive functioning, and social relationships.

In this mixed methods study, fifty-three financial exploitation and fraud cases were sampled from an elder abuse forensic center in California. Data include law enforcement and caseworker investigation reports, victim medical records, perpetrator demographic information, and forensic assessments of victim health and cognitive functioning.

The vast majority of fraud and financial exploitation victims performed poorly on tests of cognitive functioning and financial decision-making administered by a forensic neuropsychologist following the allegations. Based on retrospective record review, there were few significant differences in physical health and cognitive functioning at the time victims' assets were taken, although their social contexts were different. Fraud most often occurred when a vulnerable elder was solicited by a financial predator in the absence of capable guardians. In other words, most fraud victims in the sample did not have trusted friends or family members assisting with financial decisions and providing care at the time the fraud perpetrators entered the picture. Fraud victims were significantly less likely to have children and also had fewer relatives nearby. In sum, fraud and financial exploitation victims had different family and friend structures that may create different opportunity structures for crime.

Social isolation was not only a potential risk factor for financial victimization, it was also a tactic of undue influence to further manipulate and control the victims. Some fraud victims in the sample developed close friendships and romantic relationships with the financial perpetrators, even in the cases where they communicated only by telephone. While these relationships were constructed to manipulate and deceive the victim, they felt authentic to the older person. Perpetrators often exploited the victim's need for companionship and began limiting and controlling their victims' social interactions to create a sense of powerlessness and emotional dependency.
Practitioners should pay careful attention to the social context when responding to reports of financial mistreatment. Findings suggest that family composition and the presence of a bad actor in the elder’s inner circle is associated with financial exploitation risk. While adult children may prevent strangers from establishing control over an aging person, their influence, if unchecked, presents other opportunities for financial mistreatment. Adult children tend to shoulder the responsibility of managing their parents’ finances in old age, and powers of attorney privileges are easily abused. Therefore, one recommendation is to name multiple trusted others to act as joint agents and to clearly specify the agents’ powers. Other tools include using convenience accounts, view-only accounts, and limited joint accounts rather than giving friends or family members full access to the elder’s primary bank accounts. Conversations with family about financial management should begin early in the life course, long before a surrogate decision-maker is needed to take over for the older person.

Providers should expect some resistance from fraud victims in discontinuing their communication with perpetrators, as these individuals may have become the victims’ primary social partners. Some people deny scam victimization, particularly older persons who may fear losing their financial autonomy or their perceived relationships. Older adults should receive emotional and social support following victimization and make concerted efforts not to make the victim feel ashamed or embarrassed. Victims should be encouraged to report scams to the Federal Trade Commission or other agencies that receive fraud complaints.

Further Reading


For more background on financial fraud research, visit the Financial Fraud Research Center at Stanford at http://longevity.stanford.edu/financial-fraud-research-center
For reporting scams and fraud go to ftc.gov/complaint or call 1-877-FTC-HELP. Also report to https://www.bbb.org/scamtracker/us
For reporting online scams contact IC3 at https://www.ic3.gov/default.aspx
To download fraud education materials visit ftc.gov/passiton
To download consumer financial education materials visit https://www.consumerfinance.gov/practitioner-resources/adult-financial-education

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