

WISER/NAPSA: *Just The Facts*
Senior Financial Abuse

Annuity and Living Trust Scams



Introduction

Senior financial abuse scams are a multi-billion dollar "industry." The victims of these scams are not only older people, but also their families, their financial institutions, taxpayers and all who provide services and financial assistance to the victims. Many consider these financial scams as the crime of the 21st Century. According to a 2011 study by the MetLife Mature Market Institute, the estimated annual financial loss from Senior financial abuse was 2.9 billion dollars, based just on the cases which made it into the media. The study does not include pain and suffering, nor the tens of billions spent on indirect costs for medical care, social services, legal costs, or losses in income and assets.

Older adults control the majority of wealth in the country, but all seniors regardless of income are at risk. Abuse may be perpetuated by anyone - a professional con artist, paid caregiver, stranger or casual acquaintance, or even a son, daughter, or other family member.

The following factors contribute to the prevalence of senior financial abuse:

- A high percentage of seniors live alone and may be more vulnerable to scams.
- Seniors may be more trusting, believing the "pitches" they hear, and may have trouble spotting fraud.
- Seniors have a relatively high net worth.
- The population of seniors is increasing, providing a continuous source of wealth for financial abusers.

We can help to eliminate this abuse by finding the most effective ways to prevent and respond to the problem. Education and awareness are two key strategies. This fact sheet looks at annuity and living trust scams, and provides resources to keep seniors from falling victim to these financial traps.

Annuity and Living Trust Scams

Annuities and living trusts are well-established legal mechanisms to provide economic security for seniors and their families. Unfortunately, some unscrupulous con artists target seniors and get them to purchase or fund unneeded or inadequate annuities or living trusts in order to raid their assets to.

What Are Annuities?

An annuity is a legal contract with an insurance company in which the insurance company promises to make payments—now or in the future—in exchange for the money invested.



What Are Living Trusts?

A living trust is a legal estate planning tool that transfers a person's assets, while still living, into a trust that holds those assets until death. Assets are then distributed at the time of death to beneficiaries without going through probate - the court-supervised process of settling debts and distributing property.

There Are Different Types of Annuities

These include:

Single Premium: The senior makes only one payment to the insurance company to fund this type of annuity.

Multiple Premium: The senior makes multiple payments to the insurance company to fund this type of annuity.

Immediate Payment: An immediate annuity is a type of annuity that begins to distribute payments no later than one year after the last premium is paid.

Deferred Payment: A deferred annuity is a type of annuity in which payments begin at a specified period after the original premium is paid.

Life: in this type of annuity, the insurer pays an income to the insured during his or her lifetime. However, there are no survivor benefits and all payments cease upon the insured's death.

Period Certain & Life Annuity with Period Certain: In Period Certain, the insurer will pay the survivor an income for a specified amount of time after the insured's death. With Life Annuity with Period Certain: The insurer pays an income during the insured's life. If the insured dies before a chosen period (Period Certain), the income is paid to a designed survivor only until the end of that period.

What To Do

If a senior has been victimized by an annuity or living trust scam, using the indicators on the next page, conduct a thorough review. Investigate:

- Was the senior coerced into buying this annuity or living trust?
- Was the senior capable of understanding the provisions of the annuity or living trust?
- Did the salesman claim to have special "designations" such as Registered Financial Gerontologist?

If there are any signs of wrongdoing, immediately file a report with the local police department or the police department where the crime was located.

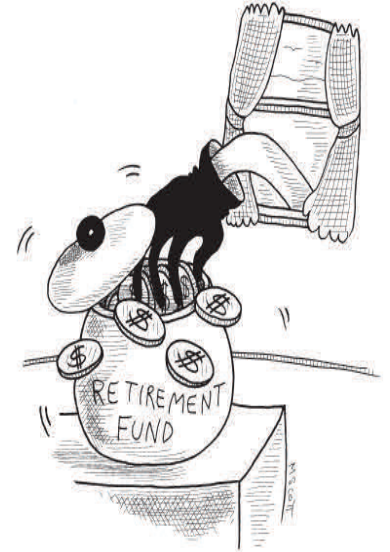
How Can I Recognize An Annuity Or Living Trust Scam?

Indicators of an annuity scam include:

- The senior is unlikely to live to collect the annuity
- The annuity makes up more than 35% of the senior's assets, not counting the senior's home value
- The surrender penalty (when a senior cashes in early) is above 14% of the principal payment
- The same agent has sold the senior multiple annuities

Indicators of a living trust scam include:

- Pages of the trust document appear as if the senior's name was simply cut and pasted electronically throughout the document
- The invoice included in the trust documents indicate that it was sold, prepared, or delivered by a non attorney e.g., a notary, paralegal or sales agent
- The cost of the living trust is less than \$1,000
- The living trust was sold at a seminar, especially one offering a "free lunch" or other incentive to attend
- The senior never met with an attorney and/or the trust was delivered directly to the home
- The senior either cannot recall who sold the living trust or states that many agents were involved in the transaction



ADDITIONAL HELPFUL RESOURCES

Many public agencies are involved in preventing and detecting senior abuse and in prosecuting those who commit it. Many organizations are also dedicated to educating seniors on these topics:

- **National Center on Elder Abuse** www.ncea.aoa.gov
State Resources: Helplines, Hotline and Information
- **Consumer Financial Protection Bureau** www.consumerfinance.gov
Ensures that consumers get the information they need to make the financial decisions
- **Federal Trade Commission** www.ftc.gov
Protects consumers from unfair, deceptive and fraudulent business practices.
- **Financial Industry Regulatory Authority (FINRA)** www.finra.org
Independent regulator of all securities firms and provides resources for financial investing
- **Postal Inspection Service** postalinspectors.uspis.gov
Investigates frauds which use the US Mail.
- **The Securities and Exchange Commission** www.investor.gov
Investigates securities frauds
- **U.S. Administration on Aging** www.eldercare.gov (or 1-800-677-1116)
In partnership with the National Association of Area Agencies, AoA operates the Elder Care Locator to help with finding trustworthy local support resources for seniors .

Administration on Aging Resource Centers partner to provide valuable information to seniors, caregivers, families and communities across the nation.



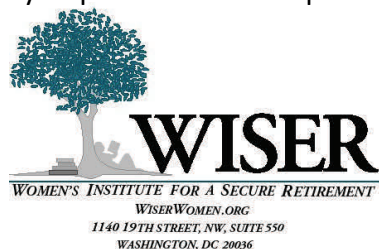
National Education and Resource Center on Women and Retirement

The Women's Institute for a Secure Retirement (WISER), in partnership with the Administration on Aging, operates the National Education and Resource Center on Women and Retirement Planning to provide user-friendly financial education and retirement planning tools for low-income women, women of color and women with limited English-speaking proficiency. WISER's mission is to inform women about the issues that affect their long-term financial security and to stress the importance of taking an active role in planning for their retirement. The Center specially tailors educational financial tools and information to meet the needs of the target population. Through the Center's one-stop-gateway, women have access to comprehensive, easily understood information that allows them opportunities to plan for income during retirement and to plan for long term care as they need it.



National Adult Protective Services Resource Center

NAPSA, in partnership with the Administration on Aging, has established the first ever National Adult Protective Services Resource Center (NAPSRC). The Resource Center serves professionals from Adult Protective Services (APS) agencies across the United States. The goal of the Resource Center is to provide federal, state and local APS agencies with current, accurate, research-based information and training, along with technical assistance to improve their capacity to provide effective protective services to vulnerable and elder adult abuse victims.



National Adult Protective Services Association
920 S. Spring Street, Suite 1200
Springfield, IL 62704
(217) 523-4431
www.apsnetwork.org

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