

# Preventing Elder Investment Fraud: Assessing for Vulnerability to Financial Exploitation



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# Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program

- The EIFFE Prevention Program utilizes CME courses to educate medical professionals who routinely see older Americans as part of their practice about elder investment fraud, vulnerability to investment fraud due to MCI, recognizing EIFFE in their patients, referral routes for further medical screening and the reporting of suspected fraud
- The program is currently running in 28 U.S. states and jurisdictions



# EIFFE Prevention Program

- A collaboration between:
  - Investor Protection Trust
  - Investor Protection Institute
  - Baylor College of Medicine
  - National Adult Protective Services Association
  - North American Securities Administrators Association
  - State Securities Regulators
- In cooperation with U.S. medical associations and their local chapters including:
  - American Academy of Family Physicians
  - National Area Health Education Center Organization
  - National Association of Geriatric Education Centers



# Acknowledgements of Project Team

- Bob Roush, EdD, MPH, Principal Investigator
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# Disclosure

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- Development of the Clinician Pocket Guide was made solely by members of the Baylor College of Medicine project group



# Special thanks to...

- NAPSA
- Investor Protection Institute
- Oregon Department of Consumer & Business Services



# Learning Objectives

Attendees should be able to...

- List key factors that increase an older person's vulnerability to elder investment fraud and financial exploitation
- Describe common financial exploitation schemes and practices
- Describe when to and where to refer patients deemed high risk to appropriate sources of assistance





# Selected Aging Demographics

- 1.2 billion older people worldwide in the year 2025
- Net increase of one million people 60 years of age worldwide monthly now
- Leading edge of 77 million U.S. Baby Boomers reach age 65 in 2011
- 10,000 persons qualify for Medicare every day for the next 19 years!





# Part 1: Goals...

- Raise clinical awareness of elder investment fraud and financial exploitation (EIFFE)
  - it's a serious, growing problem
  - what you can do about it
- Provide information and resources that can help you
  - based on your personal knowledge of a patient or client
  - but unclear how to ask about it or types of referral sources



# EIFFE Can Happen to Anyone...



“To those seniors and especially elderly veterans like myself, I want to tell you this: You are not alone and you have nothing to be ashamed of. If elder abuse happened to me, it can happen to anyone.”

Mickey Rooney

Testimony to Senate Special Committee on Aging, March 2, 2011



# Raising Awareness (1)

- Why addressing this issue is so important...
  - vulnerable population is large and growing
  - financial health affects overall health
    - financial loss impacts available food, medication, and other health services



# Raising Awareness (2)

- Almost a third of elders live within 150% of the poverty level
- Average savings of 50 year old boomers is about \$50,000



# Raising Awareness (3)

- Even older adults with savings in the low millions can't afford to lose substantial amounts, as they don't have the time to make it up
- Current resources exist for patients only after harm occurs to them; little is available to prevent EIFFE
- Many aspects of normal aging and disease can contribute to older adults' vulnerability to EIFFE



# Raising Awareness (4)

- Of all elder abuse cases reported, 30% were for financial exploitation  
(National Elder Abuse Study, 1998)
- Two nationally representative studies found 4-5% of older adults in the US have been victims of financial abuse  
(Acierno et al., 2010; Laumann et al., 2008)
  - similar prevalence to heart attacks and higher than that of CHF (1-2%)



# What can you do to help prevent EIFFE?

- Simple office-based assessments of potential vulnerability to EIFFE
  - checklist of situations associated with high risk
  - assessment questions
  - referral sources for those deemed potentially at high risk
  - recent paper on office-based assessments by E. Widera et al. *JAMA*, Feb. 16, 2011  
<http://jama.ama-assn.org/content/305/7/698.full>





# PRESCRIPTION FOR PREVENTION

PATIENT NAME: \_\_\_\_\_

D.O.B: \_\_\_\_\_  
DATE: \_\_\_\_\_

**R<sub>x</sub>**

- ☒ Check Blood Pressure
- ☒ Monitor Blood Sugar
- ☒ Discuss Dangers of Financial Fraud

\_\_\_\_\_, MD

\_\_\_\_\_, INSTITUTE

## Adding Financial Exploitation to the Geriatric Checklist



# Important Areas for EIFFE

- Vulnerability [risk] factors
- Financial capacity issues
- Investment and financial knowledge
- Undue influence of others



# Vulnerable Older Adults

- An older adult is vulnerable if he/she demonstrates characteristics or performs behaviors that are associated with subsequent morbidity, disability, or death

Wenger, NS et al: *Annals of Internal Medicine*: 2001 and Saliba, D: *Journal of American Geriatrics Society*: 2001



# Financial Capacity

- “The ability to make and execute decisions consistent with personal preferences and values regarding finances”



# Investment Fraud and Financial Exploitation

- “The illegal or improper use of another individual’s resources for personal profit or gain”

Adult Protective Services:

[http://www.ncea.aoa.gov/NCEAroot/Main\\_Site/FAQ/Basics/Types\\_Of\\_Abuse.aspx](http://www.ncea.aoa.gov/NCEAroot/Main_Site/FAQ/Basics/Types_Of_Abuse.aspx)



# Undue Influence

- “When exploiters, whether family, acquaintances, or strangers, use their power to deceptively gain control over the decision making of a victim. Often involves financial exploitation.”



# Case Scenario 1

- Mr. Allen is an 83-year-old man who lacks financial capacity due to Mild Cognitive Impairment (MCI). Mr. Allen has involved his son Steven in some financial decisions. While Mr. Allen is a conservative investor, Steven likes to take risks. He invests a large portion of his father's retirement funds in a risky stock. Soon afterwards, the stock falls dramatically. Out of embarrassment, Steven doesn't tell his father what he has done. (Is this fraud?)





# Case Scenario 2

- Mrs. Hartford is an 86-year-old recent widow. Her daughter, Mae, hires a caregiver, Susan, to help around the house. Mae notices that Susan is acquiring lots of new things. Then Mae discovers she cannot access her mother's accounts anymore. She visits her mother; Susan is nowhere to be found.
- Susan had unduly influenced Mrs. Hartford into signing a durable power of attorney. She then depleted Mrs. Hartford's retirement funds. Once Mae realized what was happening, Susan took what was left of Mrs. Hartford's savings and fled. (Is this fraud?)



# Case Scenario 3

- A 79-year-old man allows his financial advisor to purchase an equity-indexed annuity\* in the hopes that this will provide him economic security should he live to 85 and not have the same level of resources he presently has. The advisor does not disclose the “shrouded” information that the annuity doesn’t begin until age 90 nor the high percentage surrender fee should the gentleman decide to change his mind. (Is this fraud?)

\*Sold by insurance agents regulated by state Departments of Insurance



# Common EIFFE Schemes by Responsible Party (1)

- Caregivers or family members
  - use older adult's personal materials for own gain, such as: retirement funds, social security checks, etc.



# Common EIFFE Schemes by Responsible Party (2)

- Trusted financial advisors
  - sells inappropriate annuities or front-end loaded mutual funds, then churns them to generate inordinately high fees that can result in decumulation of assets
- Strangers
  - scams by phone, email, or mail



# Responsible Party Characteristics

- Traits
  - caregiver
  - male, usually relative
  - living with the patient
  - economically dependent on the patient
  - history of mental illness, including substance abuse and antisocial behavior or other health problems

Tueth, M (*Am J Geriatr Psychiatry* 8:2, Spring 2000)



# Relationship Between Undue Influence and Vulnerability

- An increase in dependency on others
  - arises from vulnerability
  - increases chances of being unduly influenced by others



# Part 2: Clinical Assessment of Vulnerable Older Adults

- Simple office-based assessment of potential vulnerability to EIFFE
  - recommended questions you can add to patient's waiting room paperwork
  - assessment questions clinician asks during visit using *Clinician's Pocket Guide*





# A Clinician's Pocket Guide

## ***Pocket Guide on Elder Investment Fraud and Financial Exploitation***

Should I be concerned?

### **Red Flags in patient/client history:**

- ☐ Social Isolation
- ☐ Bereavement
- ☐ Dependence on another to provide care
- ☐ Financially responsible for adult child or spouse
- ☐ Alcohol or drug abuse
- ☐ Depression or mental illness



### **Red Flags from clinical observations:**

- ☐ Cognitive problems
- ☐ Fearful, emotionally labile, or distressed
- ☐ Suspicious, delusional
- ☐ Change in appearance, poor hygiene
- ☐ Accompanied by caregiver who is overly protective; dominates patient/client
- ☐ Change in ability to perform activities of daily living, including self-care, daily finances, medication management

Oregon



# Should I be concerned?

- Red flags in patient/client history – situations or reasons patients may be at higher risk for vulnerability
- Red flags from clinical observations – traits of a patient who may be at risk for vulnerability



# Red Flags in Patient/Client History

- Social isolation
- Bereavement
- Dependence on another to provide care
- Financially responsible for adult child or spouse
- Alcohol or drug abuse
- Depression or mental illness (see next slide on prevalence)



# Prevalence of Depression

- 20% of older adults have Major Depressive Disorder (MDD) or some symptoms of depression.
- Depression as a risk factor: older adults who are abused tend to be > depressed compared to those who aren't.
- Depression as a consequence: older adults can develop depression as a result of being abused or exploited.
  - leaves them open to even more exploitation

NIH Senior Health: <http://nihseniorhealth.gov/depression/aboutdepression/04.html>

NCEA: [http://www.ncea.aoa.gov/NCEAroot/Main\\_Site/Library/Statistics\\_Research/Research\\_Reviews/emotional\\_distress.aspx](http://www.ncea.aoa.gov/NCEAroot/Main_Site/Library/Statistics_Research/Research_Reviews/emotional_distress.aspx)



# Red Flags from Clinical Observations (1)

- Fearful, emotionally labile, or distressed
- Suspicious, delusional
- Cognitive problems (see next slides)



# Prevalence of Cognitive Problems

- 35% (8.8 million) of Americans over the age of 71 have either
  - mild cognitive impairment (MCI)
  - dementia
  - changes in executive cognitive functions\*

\* Plassman, BL et al. *Annals of Internal Medicine*, Vol. 148, No. 6, pp. 427-434, March 18, 2008



# MCI and Financial Exploitation

- MCI patients are 4 times more likely to make errors than controls\*
- Damage to the prefrontal cortex makes affected elders less risk averse, i.e., willing to gamble\*\*

\*Okonkwo O. et al. *Journal of the American Geriatrics Society*, 2006

\*\*Denburg N. *Annals of the New York Academy of Sciences*, December 2007





# Red Flags from Clinical Observations (2)

- Change in ability to perform activities of daily living, including self care, daily finances, medication management
- Accompanied by caregiver who is overly protective; dominates patient/client
- Change in appearance, poor hygiene



# Neglect and Vulnerability

- A change in appearance or poor hygiene can indicate neglect; self or by caregiver
- Neglect accounts for most reports of elder abuse\*

\*Naik, A et al. *Gerontologist*. 2008



# Introducing the Issue to Your Patient

- *“We find that some older adults worry about money; may I ask you a few questions about this?” or*
- *“I just read a NY Times article about elders being financially exploited and thought I ought to talk to my mother and my patients, too.”*
- What other opening questions do you think would be good ones?



**“When Abuse of Older  
Patients Is Financial”  
*New York Times*  
March 2, 2011**

Elizabeth Olson story about Robert Parker, MD, who took a CME course on EIFFE in San Antonio in 2009, and how he uses the Clinician’s Pocket Guide to screen his patients.



(Photo used by permission from  
Lisa Krantz for the *NY Times*.)

# Questions You Can Ask (1)

- Who manages your money day to day? How is that going?
- Do you run out of money at the end of the month?



# Questions You Can Ask (2)

- Do you regret or worry about financial decisions you've recently made?
- Have you given power of attorney to another person?
- Do you have a will? Has anyone asked you to change it?



# Do I probe deeper or refer?

- If answers raise suspicion:
  - go to four referral sections in Clinician's Pocket Guide or
  - probe for further details (See Financial Concerns Checklist which may be added to the patient/client information packet and completed during intake.)





# Financial Concerns Checklist (1)

- Are you having any of the following common concerns?
  - I have trouble paying bills because the bills are confusing to me
  - I don't feel confident making big financial decisions alone



# Financial Concerns Checklist (2)

- I don't understand financial decisions that someone else is making for me
- I give loans or gifts more than I can afford
- My children or others are pressuring me to give them money or change my will



# Financial Concerns Checklist (3)

- People are calling me or mailing me asking for money, lotteries
- Someone is accessing my accounts or money seems to be disappearing



# What types of referral may be needed? (1)

- Help with managing money or other care tasks
  - poor resource management or limited resources available; needs assistance with finances, meals, transportation, ADLs
- Legal advice or protection
  - needs assistance with financial planning or legal documentation



# What types of referral may be needed? (2)

- Fraud and exploitation may have occurred
  - needs legal counsel
- Further medical evaluation
  - needs assessment for cognitive, neurological, or other conditions



# Ethical Considerations

- Concerns about calling any local or state regulatory agency, even though it is mandatory and failure to do so is unlawful
- Literature suggests talking to the patient and the possible responsible party individually



# Interactions with Possible Responsible Party (1)

- Use non-confrontational demeanor
- Ask about relationship to the patient
- Discuss patient's daily activities and routines
- Discuss any of patient's special needs





# Interactions with Possible Responsible Party (2)

- Observe for following behaviors:
  - demeaning comments about the patient
  - defensive, suspicious attitude
  - hostility about your inquiries
  - threat to change doctors

Tueth, M (*Am J Geriatr Psychiatry* 8:2, Spring 2000)



# Referral Sources in Your State (1)

- United Way – 211 local hotline  
[www.211.org](http://www.211.org)
- National Association of Professional Geriatric Care Managers  
[www.caremanager.org](http://www.caremanager.org)
- Case Management Society of America  
[www.cmsa.org](http://www.cmsa.org)
- National Academy of Elder Law Attorneys (NAELA)  
[www.naela.org](http://www.naela.org)



# Referral Sources in Your State (2)

- Oregon Division of Finance and Corporate Securities  
1-866-814-9710 • [www.dfcs.oregon.gov](http://www.dfcs.oregon.gov)
- Adult Protective Services (APS)  
1-800-232-3020; [www.oregon.gov/DHS/spwpd/abuse/home.shtml](http://www.oregon.gov/DHS/spwpd/abuse/home.shtml)
- Attorney General's Office
- Department of Insurance
- Local District Attorney's Office



# Referral Sources in Your State (3)

- Appropriate specialists such as a geriatrician, neurologist, psychiatrist, or psychologist may be warranted
- Reporting to Adult Protective Services is required by the laws of most states and grants immunity from civil or criminal liability for professionals who report suspected cases of abuse
- Oregon APS contact information:  
1-800-232-3020  
[www.oregon.gov/DHS/spwpd/abuse/home.shtml](http://www.oregon.gov/DHS/spwpd/abuse/home.shtml)

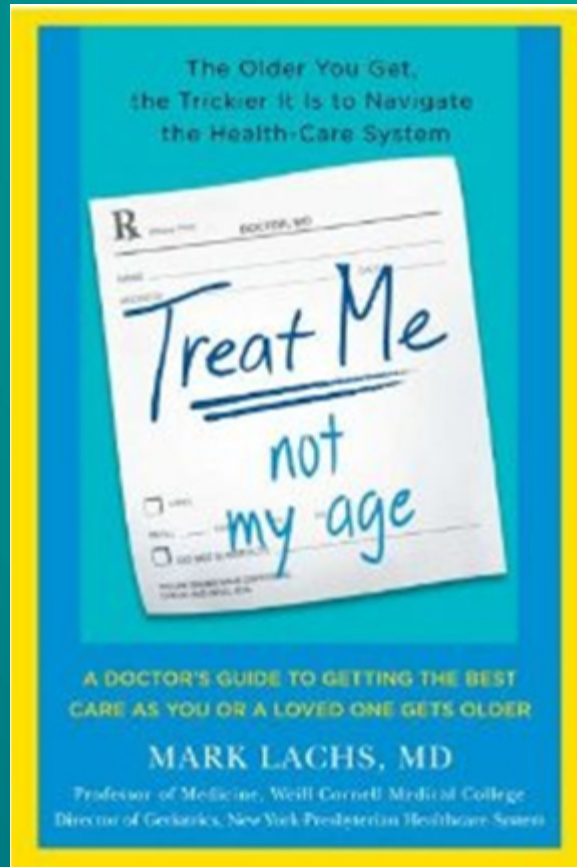


# Part 3: What You Can Say to Your Patients ...

- Be aware of our own vulnerability
- Be aware of who wants your money
- Be aware of how you can protect yourself
- Be aware of who can help you



# Immunize Your Patients from Bad Financial Decisions



- Chapters 17 and 18 in geriatrician Mark Lachs' book deal with aging and money issues.
- Citing works like this helps patients and their caregivers appreciate your concerns.

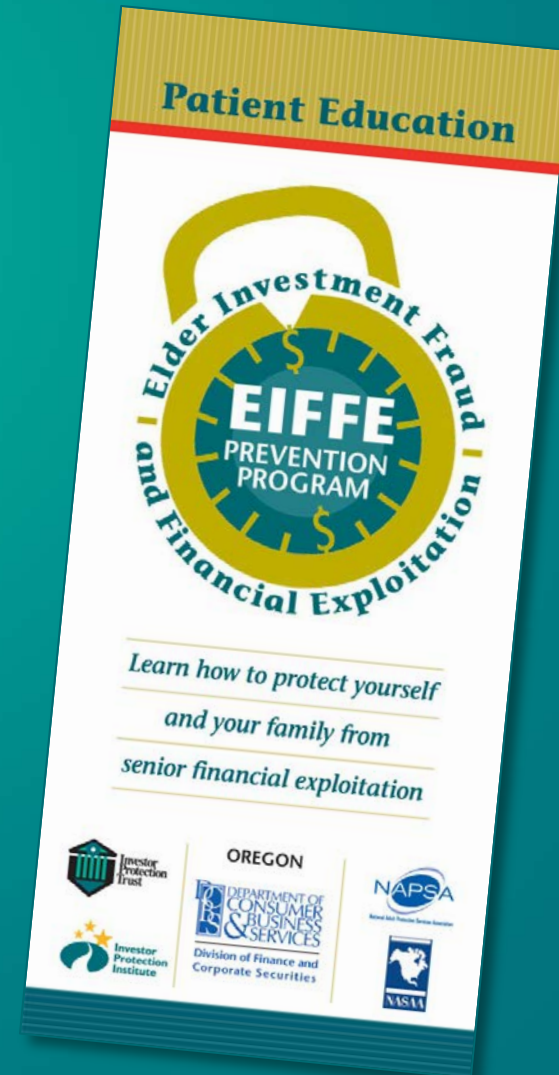
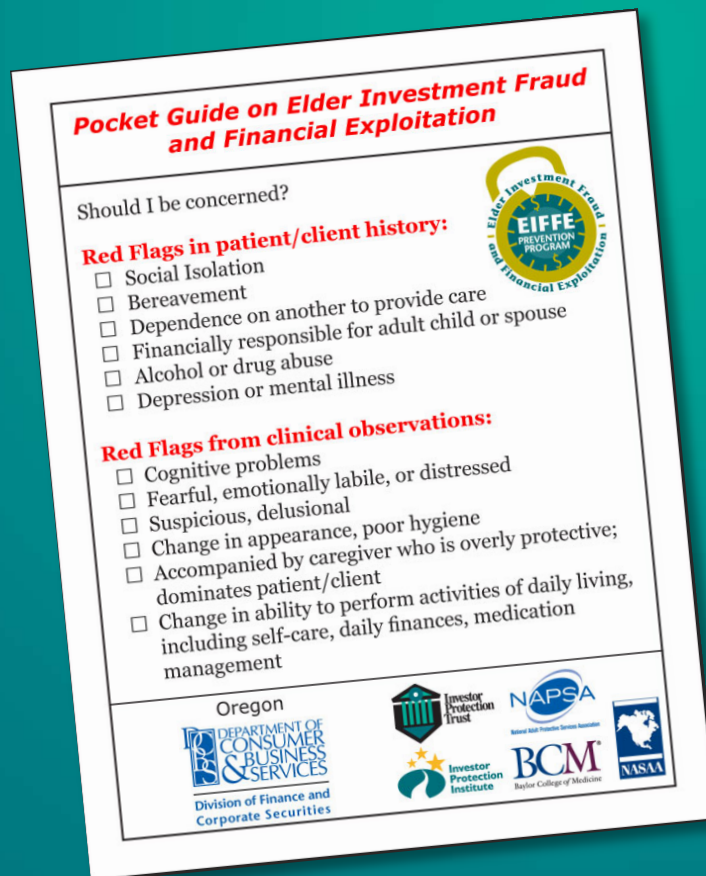




# EIFFE Prevention Program Materials

Patient Education Brochure

Clinician's Pocket Guide





# Investor Education and Protection



# Investment Fraud Affects Everyone



In the United States, **BILLIONS** of dollars are lost each year to investment fraud and scams.

These scams affect both the rich and poor; the sophisticated and the unsophisticated; the timid, the greedy, and the elderly.



# Role of the State Securities Regulator

- Each State has a Securities Regulator to protect its citizens from investment fraud.
- Your State Securities is Oregon Division of Finance and Corporate Securities



# Role of the State Securities Regulator

- Your State Securities Regulator:
  - Licenses financial professionals
  - Investigates complaints and fraud
  - Enforces state securities laws
  - Examines brokerage and investment adviser firms
  - Provides information about an investment adviser's:
    - license,
    - prior disciplinary or enforcement actions,
    - serious complaints lodged against them
    - education and background



# Investment Products and Vehicles

- A Security is a financial instrument entitling the owner to specified types of financial benefits
- Common securities:
  - Stocks, bonds, notes, options, REITs, convertible certificates
- Uncommon securities:
  - Interests in mineral/oil rights, investment contracts and promissory notes



# What is Investment Fraud?

- Security is solicited and sold on the basis of false information. Usual result: loss of investment.
- Many forms
  - Unsuitable investments
  - Fraudulent offerings (unregistered or non-existent)
  - Unlicensed advisers/ brokers
  - Theft or misappropriation of funds





# Who Needs to be Licensed?

- Stockbrokers
- Investment Advisers
  - Holistic planning w/ portfolio
  - Fiduciary responsibility
- Financial Planner
  - Holistic planning including other products





# Oversight

- Federal: Securities and Exchange Commission
- State – Securities Division



# Securities Registration

- All investment/securities products  
*unless* exempted



# Common Scams and Schemes

- Unsuitable investments
- Unauthorized transactions
- Margin trading
- Churning
- Unreasonable expectations
- Complex investments
- High fees and expenses



# Common Types of Fraud

- Investment Fraud
  - Affinity fraud
  - Theft in brokerage accounts
  - Internet and email investment scams
  - Ponzi and pyramid schemes
  - Oil & gas schemes
  - Coins & precious metals
- Caregivers/Family/Friends
  - Power of Attorney
  - Change of last will and testament
  - Property conversion
  - Bank account signer switch



# How To Spot a Con Artist

- No risk, guaranteed riches
- High pressure sales techniques
- Special offer
- Requires an advance payment
- “Cash only” or checks made out personally
- Promises to provide paperwork “later”
- Ask you to sign blank forms or documents
- Inability to contact an independent company representative
- Offers that are too good to be true



# Self-Defense Tips

- Check and verify before you buy
- Don't accept statements from your manager alone – verify with the brokerage firm
- Don't send money directly to the manager
- Never invest based on reputation or word of mouth
- Monitor your investments and ask tough questions
- Look for trouble retrieving your principal or profits
- Don't let embarrassment keep you from reporting fraud
- Read & understand your monthly statement – report problems to your broker or his/her manager
- Unknown caller offering investment product:  
“HANG UP”



# Investigate Before You Invest!

- Deal only with registered individuals and reputable firms; ask questions; obtain, keep and read documentation
- Check on licensing or registration status, disciplinary history or pending arbitration and employment history for the past 10 years through the Central Registration Depository (CRD) at:  
[www.finra.org/Investors/ToolsCalculators/BrokerCheck/](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/)

## Contact

**Oregon Division of Finance and  
Corporate Securities**

**1-866-814-9710 • [www.dfcs.oregon.gov](http://www.dfcs.oregon.gov)**



# Filing a Complaint Form

- Facts generate outcomes
  - Who, what, when, where, why, how
  - Names, addresses, and telephone numbers
- Complaint form online at:  
[www.dfcs.oregon.gov](http://www.dfcs.oregon.gov)





# Complaint Form – What Should Be Attached

- Always keep a paper trail
  - Business card or other information that lists the name and company of the individual who may have sold investments to the client
  - Any monthly statements
  - Documentation (e.g. prospectus)
  - Website address



# Additional Investor Education Resources

## Video on the IPT Website

## IPT Investor Education Booklets



[www.investorprotection.org](http://www.investorprotection.org)



# Additional Resources

## How to spot a con artist

*Investing your money is risky enough without worrying about whether your salesperson, or anyone offering investments, is out to fleece you.*

*Be an informed investor. Know how to spot a con and a con artist. Some are subtle. Some are easier to spot.*



## Risky Investments



A PRACTICAL GUIDE FOR PROTECTING YOUR INVESTMENT DOLLARS



## The Basics for Wise Investing



Reduce the risks of investing

Meet your financial goals

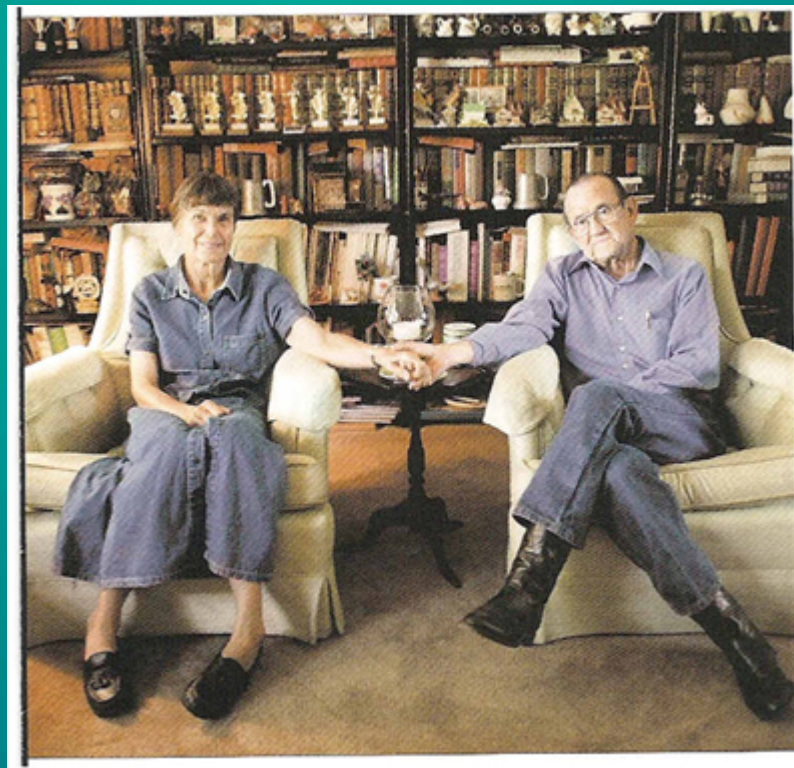
Avoid scams and frauds

Find the financial adviser right for you



# Last Point: Don't Be Nice

One day a nice man called Edna and Bob and offered them a low-risk investment with a guaranteed high rate of return:



**THEY TOLD HIM TO STICK IT IN HIS EAR!**





# Contact Information

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