



## OLDER AMERICANS: HOW TO AVOID INVESTMENT FRAUD AND ABUSE

Older Americans are the number one targets for investment con artists. Also, stockholders and financial planners who engage in abusive practices often seek out the elderly. Files held by the Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) are filled with tragic examples of older Americans who have been cheated out of savings, windfall insurance payments and the equity in their homes. Fortunately, such victimization can be avoided by adhering to the following 10 self-defense tips developed for older Americans by the North American Securities Administrators Association Inc. (NASAA). DISB is a member of NASAA.

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### 1. DO NOT BE A “COURTESY VICTIM.”

Older Americans are from the generation that was taught to be courteous at all times to telephone callers, as well as people who visit them at home. Con artists will not hesitate to exploit the good manners of a potential victim. Remember that a stranger who calls and asks for your money is to be regarded with the utmost caution. **You are under absolutely no obligation to stay on the telephone with a stranger who wants your money.** In these circumstances, it is not impolite to explain that you are not interested and hang up the telephone. Save your good manners for friends and family members, not swindlers!

### 2. CHECK OUT STRANGERS TOUTING “STRANGE” DEALS.

Trusting strangers is a mistake that all too many older Americans make when it comes to their personal finances. **Say “no” to any investment professional or con artist who presses you to make an immediate decision, giving you no opportunity to check out the salesperson, firm and the investment opportunity itself.** Extensive background

information on investment salespeople and firms is available from the Central Registration Depository files, available from DISB.

For more information, call DISB Securities Bureau at (202) 442-4934 or call NASAA toll-free at (888) 586-2740. Almost all opportunities to invest in securities must be registered in the state in which you live. The Securities Bureau can inform you if the securities being touted as an investment opportunity are properly registered. Before you part with your hard-earned savings, obtain written information about the securities investment opportunities, review it carefully, and make sure you understand all the risks involved. A favorite tactic of telemarketing con artists is to develop a false bond of friendship with older Americans. Swindlers know that many senior citizens are eager to have someone to talk to on the telephone, even a complete stranger. If you are dealing in person with a stockbroker or financial planner, do not be swayed by offers of unrelated advice and assistance that are merely efforts to develop a sense of friendship and dependency. If you are lonely and in need of companionship, do not make the mistake of seeking it from someone whose only real interest is to get his or her hands on your money.

### **3. ALWAYS STAY IN CHARGE OF YOUR MONEY.**

A stockbroker, financial planner or telemarketing con artist who is after your money will be more than happy to assure you that he or she can handle everything, therefore relieving you of the need to watch over and protect your nest egg. **Beware of any financial professional who suggests putting your money into some financial instrument you don't understand or who urges that you leave everything in his or her hands.**

Constant vigilance is a necessary part of being an investor. If you understand little about the world of investments, take the time to educate yourself or involve a family member or a professional before trusting a stranger with your money.

### **4. NEVER JUDGE A PERSON'S INTEGRITY BY HOW HE OR SHE SOUNDS.**

All too many older Americans who are wiped out by con artists later explain that the swindler sounded like such a nice man or woman. Successful con artists sound extremely professional and have the ability to make even the flimsiest investment deal sound as safe as depositing money in the bank. **Some swindlers combine professional-sounding sales pitches with extremely polite manners, knowing that many older Americans are likely to equate good manners with personal integrity.** Remember the sound of a voice, particularly on the telephone, has no bearing on the soundness of an opportunity to invest in securities.

### **5. WATCH OUT FOR SALESPEOPLE WHO PREY ON YOUR FEARS.**

Con artists know that many older Americans worry they will either outlive their savings or see all their financial resources vanish overnight as the result of a catastrophic event, such as costly hospitalization. **Therefore, it is common for swindlers and abusive**

salespeople to pitch the schemes as a way for older Americans to build up their life savings to the point where such fears are no longer necessary. Remember that fear and greed can cloud your good judgment and leave you in a much worse financial situation. An investment that is suitable for you will make sense because you understand it and feel comfortable with the degree of risk involved.

#### **6. EXERCISE PARTICULAR CAUTION IF YOU ARE AN OLDER WOMAN WITH NO EXPERIENCE HANDLING MONEY.**

Ask a con artist to describe his ideal victim and you are likely to hear the following two words: “elderly widow.” Unfortunately, many women who are currently in their retirement years often received little or no education in their youth about how to manage money. Women of this generation often relied on their husbands to manage most of the major money decisions. Therefore, older women, particularly those who have received windfall insurance payments in the wake of their spouses’ deaths, are prime targets for con artists. Elderly women who are on their own and have little expertise managing money should always seek the advice of family members or a disinterested professional before deciding what to do with their savings. One resource available nationwide is the Women’s Financial Information Program at the AARP. For more information, write to Women’s Financial Information Program, AARP Consumer Affairs, 601 E St., NW, Washington, D.C. 20049.

#### **7. MONITOR YOUR INVESTMENTS AND ASK TOUGH QUESTIONS.**

Too many older Americans not only trust unscrupulous investment professionals and outright con artists to make initial financial decisions for them, but compound their error by failing to keep an eye on the progress of the investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. Do not be swayed by assurances that such practices are routine or in your best interests. Do not permit a false sense of friendship or trust to keep you from demanding a routine statement of your investments. When you suspect that something is amiss, and you are provided unsatisfactory explanations, call DISB to lodge a complaint.

#### **8. LOOK FOR TROUBLE RETRIEVING YOUR PRINCIPAL OR CASHING OUT PROFITS.**

Many older Americans have little ongoing need for investment funds, while others require returns that are paid out regularly in order to supplement limited incomes. If a stockbroker, financial planner, or other individual with whom you have invested stalls you when you want to pull out your principal or profits, you have uncovered someone who wants to cheat you. Since unscrupulous investment promoters pocket the funds of their victims, they go to great lengths to explain why an investor’s savings are not readily accessible. In many cases, they will pressure the investor to “roll over” nonexistent profits into new and even more alluring investments, thus further delaying the point at which the fraud will be uncovered. If you are not investing in a vehicle with a fixed term,

such as a bond, you should be able to receive your funds or profits within a reasonable amount of time.

#### **9. DON'T LET EMBARRASSMENT OR FEAR KEEP YOU FROM REPORTING INVESTMENT FRAUD OR ABUSE.**

**Older Americans who fail to report that they have been victimized in financial schemes often hesitate out of embarrassment or the fear that they will be judged incapable of handling their own affairs.** Some older Americans have indicated that they fear their victimization will be viewed as grounds for forced institutionalization in a nursing home or other facility. Recognize that con artists know about such sensitivities and, in fact, count on these fears to prevent or delay the point at which authorities are notified of a scam. While it is true that most money lost to investment fraud is rarely recovered beyond pennies on the dollar, there are also many cases in which older Americans who recognized early on that they have been misled about an investment are then able to recover some or all of their funds by being a “squeaky wheel.”

#### **10. BEWARE OF “RELOAD” SCAMS.**

Younger Americans who are ripped off by swindlers are fortunate to the extent that they have the opportunity to pick themselves up and restore some or all of their losses through new earnings. **Older Americans, however, are dealing with a finite amount of money that is unlikely to be replenished in case of fraud and abuse. The result is a panic that is well known to con artists, who have developed schemes to take a “second bite” out of senior citizens who already have been victimized.** Faced with a loss of funds, some older Americans will go along with another scheme (allowing themselves to, in effect, be reloaded) in which the con artists promise to make good on the original funds that were lost, and possibly even generate new returns beyond those originally promised. Though the desire here to make up lost financial ground is understandable, all too often the result is that unwary older Americans lose whatever savings they have left in the wake of the initial scam and possibly more in the second scam.

*Source: North American Securities Administrators Association, Inc.*

#### **FOR MORE INFORMATION**

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