



## Dollars & Sense

Author: Jane Hodges Young  
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### **As incidents of elder financial abuse escalate, financial institutions are teaching employees how to defend Grandpa's gold.**

Some lose their homes. Others "follow the money" and find out their bank accounts have been hijacked by overseas lottery scams. Many find themselves stiffed by a contractor. And some end up with closets full of expensive vacuum cleaners or other household goods foisted upon them by unscrupulous door-to-door salespeople. They're all victims of elder financial abuse—one of California's (and the nation's) most rapidly growing crimes.

According to the American Association of Retired Persons (AARP), the population of older Americans (65+ years old), is expected to at least double to more than 71 million by 2030. As the nation's most populous state, California has the largest population of older Americans; it also has the most exposure to elder financial abuse. A report published earlier this year by creditunions.com indicates that between 150,000 and 200,000 seniors are financially abused in California each year, and the National Center on Elder Abuse estimates there may be 5 million victims per year nationally.

#### **What is elder financial abuse?**

Elder financial abuse is the theft or embezzlement of money or other property from a senior citizen. It can be as simple as taking cash from Grandma's piggy bank or as heinous as manipulating Uncle Joe into signing over the deed to his house.

Telemarketing fraud is one of the most widespread forms of abuse. The AARP has found that 56 percent of those called by telemarketers are seniors, and Americans lose more than \$40 billion each year due to fraudulent sales of goods and services via telephone. Identity theft among elders is also growing at an alarming rate, and many fall prey to home improvement scams. And since more than 80 percent of Americans aged 50 and older are homeowners, they're frequently targeted by predatory lenders who persuade them to borrow money through home equity loans that carry excessive fees, costly credit insurance and pre-payment penalties.

Elders even have to be watchful of those who are supposedly "helping" them. Estate planning devices (wills, trusts, powers of attorney, advance health care directives and joint tenancies) leave the elderly vulnerable to those they've empowered to watch over them and their finances, such as conservators, caregivers, agents acting under durable powers of attorney, attorneys, friends and, sadly, family members. In fact, according to Jenefer Duane, CEO and executive director of the Elder Financial Protection Network in Novato ([www.bewiseonline.com](http://www.bewiseonline.com)), studies have revealed that 85 percent of elder financial exploitation is perpetrated by family members or caregivers.

Add to that alarming statistic the fact that seniors are becoming more computer savvy as many are taking computer training through senior centers and other adult education outlets. "This just means they have more exposure to Internet scams, such as phishing [when online criminals attempt to fraudulently acquire sensitive information such as usernames, passwords and credit card details by masquerading as a trustworthy entity, such as a bank or other financial company, in an email] or Internet shopping," Duane continues.

"Elder financial abuse is one of the fastest growing crimes, especially in counties like Sonoma, because we have a large number of seniors with dispensable income," says Shirlee Zane, CEO of the Santa Rosa-based **Council on Aging of Sonoma County** (COASC).

The COASC currently manages the finances of 110 seniors through its Social and Financial Services Program, which is directed by Connie Aust, who's been with the Council on Aging since its inception 16 years ago. Social and Financial Services covers everything from simple bill paying and balancing bank accounts, to conservatorships and trustees. The program is bonded and insured, it runs thorough background checks on its counselors and is audited each year by the Social Security Administration.

## Horror stories

Both Zane and Aust have witnessed heartbreaking incidents of elder financial abuse. "This generation of elders is very trusting. They didn't grow up with high-tech, and they're very vulnerable to cons and scams that have gotten a lot more sophisticated over the years," Zane says.

Aust recalls one of the worst cases she handled was that of a woman whose husband was sick. She was unable to care for him. "Her son came in to take care of the ailing father," Aust explains. "Before long, he was using his mother's ATM card to support his girlfriend's drug habit and finance a gambling spree. She ended up losing more than \$70,000. She continued to support her son and not want him to get in trouble the whole time we were working the case."

Aust also worked a case where a woman came to the agency, asking for advice on how to deal with a "friend" who had been taking care of her finances. "It turned out, this friend had the woman sign over the deed to her house so the woman could qualify for MediCal. She kept saying she didn't want to make her friend mad," Aust said. "I told her that's not a friend, that's a criminal. We ended up getting the house back."

Not all stories end so well. In most cases, victims rarely recover much, if any, of their losses. The long-term impact can be devastating, leading to depression, reliance on public benefits, physical impairments and even death. The American Medical Association has reported that elders who've been financially abused have shorter life expectancies than those who haven't.

"The stress is unbelievable," says Zane. "When you abuse an elder financially, you do more than hurt them regarding their lifetime assets. Indirectly, you abuse them psychologically, and it has a dramatic effect on their physical well-being. Anyone who's experienced identity theft or robbery knows what I'm talking about. The ramifications are significant."

The fact that the majority of this abuse is perpetrated by family members and caregivers only adds to the negative equation, proving what lawyer and civil libertarian Clarence Darrow once said: "The first half of our lives is ruined by our parents, and the second half by our children."

"We've had several cases where children will get the parents to sign the deed for their house over to them, and then they'll relocate the parents elsewhere and virtually steal the house right out from under them," says Zane. Elders are particularly at risk of this kind of financial abuse if their children have financial problems or issues with substance abuse or gambling. "People need to protect their parents if they know someone like that is in their parents' life," Zane advises.

Sweetheart scams are also a problem. "You'll have an elderly person who meets someone who professes to love them and wants to take care of them. Usually these people are a lot younger than the senior. Before you know it, they get married. When the elderly person dies, they leave their assets to the young lover," Zane says. "The lesson to children is not to be a stranger with your parents."

Both Zane and Duane also believe consumer fraud—a typical scam is selling an elderly person something they don't need—is becoming a bigger issue. "We have a local ventilation and plumbing company that we've had repeated complaints about," Zane says. "They go in and sell the seniors a service to fix something or install something new. Then they get them to sign a maintenance plan for \$800 per year with only a three-day window to cancel it."

"The 75-plus set is a handshake generation," Duane says. "They're accustomed to doing business with only a handshake—taking a man at his word. They're trusting; they continue to do business the old way and, by doing so, put themselves at great risk."

## Stepped up security

This year, California enacted SB1018, "The Financial Abuse Reporting Act," to help combat escalating elder fraud incidents. It requires all California financial institutions to report any suspected elder financial abuse to law enforcement and/or Adult Protective Services. The real tooth in the law is the word "suspected." A bank or credit union need not have actual proof to trigger an investigation.

It's a law the financial industry has, in many ways, taken to heart. Many banks and credit unions have developed extensive in-house training programs for employees to make them more aware of financial abuse and their role in preventing it. Many have also started outreach programs for the elderly community.

Duane, who works with many banks and credit unions in developing their training programs through the Elder Financial Protection Network, has been particularly impressed with the efforts of **Bank of the West**, First Republic Bank, **Sonoma Valley Bank**, **Travis Credit Union**, **Exchange Bank** and **Redwood Credit Union**, among others.

Roberta Wong Murray, senior vice president of corporate communications for Bank of the West, manages the company's public outreach programs. "We looked at the new law as an opportunity to launch a consumer awareness program for the public, to let them know elder fraud exists and that they should be very careful about falling prey to it," she says.

"It's a sensitive subject. These are people of a generation that largely trusted and respected others and were polite with their manners. They hear a friendly voice on the other end of the phone and, if they live alone and don't have much contact with others, they can be easily defrauded."

Working with the Elder Financial Protective Network, Bank of the West started "Be Aware—Protect Your Assets." The seminars feature expert panels including representatives from Adult Protective Services, the Council on Aging, law enforcement and others. The first seminar took place at the Senior Center in Fairfield, with roughly 100 people in attendance. A May seminar in San Jose was attended by more than 150 people, and the topic was so interesting that the original 90-minute session was expanded to two hours. A third took place in Fresno in October.

Bank of the West has branches in 19 Western states, seven of which have mandatory elder financial abuse reporting laws, Wong says. Even so, about half of the elder financial abuse cases the bank reported during the first half of 2007 were in California.

"This is a hot button that needs visibility," Wong Murray says. "Our plan is to roll out the 'Be Aware' program to our six other mandatory reporting states next year and, by 2009, we'll create a program in a kit and make it available throughout our entire branch network [more than 700 banking locations] for them to conduct programs as they see fit."

Bank of the West's internal training program on spotting and preventing elder financial abuse is also quite extensive. According to Mike Vantrease, senior vice president of learning and development, the bank has built an online course, which it requires all customer-facing employees to take or review at least once a year. Because the course is online and requires log-in, they know exactly who's taken the class.

"We point out all the red flags employees should be looking for, such as when a customer comes in and withdraws a large amount of cash when that's not normal, and we train them how to do some probing," Vantrease says. "We explain their roles in protecting the individual, and we teach them how to report suspected abuse. It's important they understand the critical nature of the crime and how devastating it can be."

### **A safe exchange**

Mike Leonard is the assistant vice president of security at Exchange Bank, headquartered in Santa Rosa. The bank has 20 branches throughout Sonoma County and two branches in Placer County. "Banks have been reporting elder fraud for years, so this isn't a new occurrence for us," he says. "The only thing different now is that it's mandatory."

Exchange Bank has developed an elder fraud training course for all its employees. And while state law requires a written report of suspected abuse be filed with the proper authorities within 48 hours, Exchange Bank makes every effort to file via fax within 24 hours.

"Before I joined Exchange Bank in 2000, I worked in the Sonoma County Sheriff's office as a detective, and I investigated many cases of elder abuse," says Leonard—which perhaps explains why Exchange Bank works so hard to report suspicious activity so quickly. "Their generation was taught to be much more polite. When they're contacted by telemarketers, they won't just hang up like our generation does."

Leonard notes that reported cases of elder fraud are really just the tip of the iceberg, as it's generally accepted that a large majority of instances are never reported. "The elderly are very afraid of being left alone and losing their independence. As a result, most scams and frauds they fall victim to aren't reported to police, because they don't want their children to know what they did. They have a fear of their children taking control over their money."

Leonard also sees elder fraud as an issue with unlimited growth potential as baby boomers age. "Even though baby boomers might be more astute business-wise, they'll become easier targets and be more victimized as they lose mental capacity," he predicts.

### **Too trusting**

Another leader in protecting seniors from fraud is Travis Credit Union, which has members in 12 Northern California counties and branches in Solano, Napa, Contra Costa, Merced and Yolo counties. Originally founded in 1955 to serve the military and civilian personnel associated with Travis Air Force Base, the credit union now has a fairly large senior footprint in its membership. Of the 155,000 Travis Credit Union members, roughly one-third are seniors.

"We see an enormous volume [of elder financial fraud], and it's fairly shocking," says Mark Vinella, director of compliance and risk management for Travis Credit Union. "These elders are so trusting and honest. They can't conceive of the intricacies of these scams. Even the most astute can fall victim to a smooth-talking fraudster. And if their mental faculties begin to fail, one of the first things that happens is they lose internal defenses that tell them something isn't right."

"We've had several members wire money out of the country because they were told they won a lottery," Vinella explains. "Many are repeat victims; they get on a list and are targeted multiple times. They believe almost everything they're told, and scammers can be so convincing. Many of the seniors are motivated to act out of need—their spouse recently passed away or they're on a fixed income. Smooth talkers know exactly what to say and what buttons to push."

Travis Credit Union conducts regularly scheduled seminars at Paradise Valley, a gated community for seniors in the Fairfield area, in association with Fairfield and Vacaville law enforcement authorities. The community center in its Vacaville headquarters is also offered to senior organizations that conduct their own seminars on the subject.

"Our biggest effort is to train our own staff to identify abuse," Vinella says. "We do a stand-up presentation that includes a video of abuse victims, telling our staff what to look for and what their obligations are as employees. The sessions can get quite lengthy. People can talk forever on this topic. So many have been touched by it personally and professionally. All you need to do is to put yourself in the position where, if this were your parent or grandparent, how would you protect them? What would you want a financial institution to do?"

Vinella remembers one member who lost more than \$100,000 in a lottery scam. "She was coached by fraudsters as to what to say when we asked questions. She always had a story. She would tell us that family members were running a business and these were funds they needed to capitalize the business. When we would talk with her, she was astute, alert—and everything she told us was a lie. She became part of the problem, because she was deceiving us. A member is under no obligation to tell us [what they're using the money for] and we can't stand between members and their assets if they're acting of their own free will and are of sound mind."

Vinella says joint signers on accounts are a blessing...sometimes. "We tell them what we've observed and work to get proper protection around the account," he explains. But there are times when joint signers can be a curse.

"We had one case, back in 2005, where a son talked his mother into his being a co-signer on her account, then he promptly withdrew a substantial amount of money. It turns out he was working with another party to defraud his own mother. We alerted law enforcement and assisted with the investigation, but we couldn't stop the transactions, because he was an authorized signer and had equal access to the assets. We cooperated fully with the investigation," Vinella says. Both the son and the other party were convicted and are currently serving jail sentences.

But even though California's laws regarding elder abuse are some of the nation's toughest, those working with elders think there's still room for improvement. "We need to be tougher on those who exploit elders," says Shirlee Zane. "We've made huge strides prosecuting child abuse cases. We need to do the same with those who target adults."

As baby boomers age, we'll likely see more initiatives to protect the elderly—and businesses in all sectors, not just the financial services industry, will face more regulation in regard to elder fraud.

This year, Congress is expected to vote on the Elder Justice Act, which creates a combined law enforcement and public health approach to study, detect, treat, prosecute and, most important, prevent elder abuse, neglect and exploitation. If enacted, this legislation will constitute the most comprehensive set of policies and programs ever proposed to combat elder abuse, neglect and exploitation—and, perhaps, might restore some shine to what are supposed to be "the golden years."