By Howard M. Silverstone, CPA/CFF, FCA, CFE

Elder fraud has been defined as “an act targeting older adults in which attempts are made to deceive with promises of goods, services or financial benefits that do not exist, were never intended to be provided or were misrepresented.”

In the financial and fraud prevention profession, we are constantly aware of employees, management, vendors, suppliers, competitors and others and their ability to commit fraud. For older adults, this population of potential perpetrators of fraud includes family members, care providers, telephone scammers and others through bank account manipulation, sale of fraudulent products, investment schemes, mortgage scams and others.

Elder fraud has been called the “crime of the 21st century,” the “silver tsunami” and “the perfect storm.” With the changing demographics in North America, elder financial abuse has become a growing concern, which is expected to intensify in the coming years. It is anticipated that by 2031, one in four people living in North America will be over 65 years of age. At the same time, this demographic will also control 70 percent of the wealth in North America. Although elder abuse can take many forms, elder financial abuse and exploitation involves the misuse or withholding of an adult’s resources, also referred to as material abuse.

It is also estimated that 10 percent of elderly people in North America have already been victims of financial abuse with total reported yearly financial losses of more than $2.9 billion. Although the statistics vary between studies and geographic regions in North America, one thing that remains consistent is that elder financial abuse is a serious problem and that it is increasing. Awareness is often the first step in combating these types of crimes.

The National Council for Aging has identified the top 10 financial scams targeting seniors:

1. Medicare/health insurance scams
   • In certain cases, perpetrators pose as Medicare agents to solicit personal information, which is then used to bill Medicare and pocket the funds.

2. Counterfeit prescription drugs
   • This is largely an internet-based scam, whereby seniors try to find better pricing than their local pharmacy. This poses a double threat — loss of funds and potential health risks from unsafe drugs.

3. Funeral and cemetery scams
   • Scammers will scan obituaries and prey on a grieving spouse, in some cases claiming the deceased owed them money. In other cases, unscrupulous funeral homes have added unnecessary charges or up-charged for certain expenses.

1 STOPFRAUD.gov website

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4. Fraudulent anti-aging products
   • Bogus Botox treatments, homeopathic remedies and others are top of the list for supposed “remedies” aimed at those wishing to conceal their age and feel younger.

5. Telemarketing scams
   • This is the most common scheme that the elderly face; these schemes are impersonal, have no paper trail, and can include fake charities or the pretense that the person calling is from a bank or the IRS. The person calling is seeking personal information such as bank account numbers, social security numbers and other personal data.

6. Internet fraud
   • Bogus virus scanning software, malicious emails and other phishing scams are among the most popular targeting senior citizens. Similar to telemarketing scams, these emails will appear to be legitimate and ask for personal information to “verify” an account or transaction.

7. Investment schemes
   • While seniors may have the intention of protecting their savings for retirement, scammers have other ideas. In all-too-familiar schemes, seniors are targeted for schemes, which claim they can produce better returns than the market.
   • Types of investment schemes are quite varied and often employ sophisticated devices to “trick” the elder into parting with equity in homes or retirement savings.

8. Homeowner/reverse mortgage scams
   • These include bogus letters that claim to help seniors reduce their property taxes “for a fee” and scammers capitalizing on the reverse mortgage boom, where seniors give up the title to their home in exchange for cash or another property, neither of which materialize.

9. Sweepstakes and lottery scams
   • Request for a payment to “unlock” a prize that the senior supposedly won — the senior receives a check, which they deposit, only to find out days later has bounced, while their payment and the perpetrator have both disappeared.

10. The grandparent scam
    • This involves a call whereby the scammer will ask the senior citizen to guess which grandchild is on the phone, thus having the senior divulge a grandchild’s name. They will then ask for money in the form of a MoneyGram or similar payment.

PRACTICE TIPS

Similar to all methods of fraud, education, training and overall awareness are keys to understanding these schemes and assisting clients in fighting such scams.

- Learn about current identity theft schemes
- Learn about current internet-based fraud schemes
- Learn about current investment fraud schemes*
- Identify government and private resources for victims of fraud
- Learn about fraud indicators and warning signs

RESOURCES

There are many resources available to assist the elder community, as well as in your practice, and provide useful information related to fraud schemes.

AARP (formerly the American Association of Retired Persons) at aarp.org has a wealth of information, especially through its Fraud Watch Network aarp.org/money/scams-fraud. The AARP also sends out press releases through its Fraud Watch Network, including recent issues related to using public Wi-Fi networks, its annual “shred-fest” to help avoid identity theft risks, IRS imposter scams, and its recent initiative with Frank Abagnale to avoid tech support scams.

* Due to the nature and complexities of investment schemes, look for a future FVS Eye on Fraud publication profiling these schemes, many of which target elders.
The AARP suggests that people over 50 years of age are easier targets for such abuse as many are less knowledgeable about the complexities of scams, as well as not knowing their rights, expecting everyone to be honest, and are more likely to be home than younger people, therefore making themselves better targets for potential scammers.

We discussed elder fraud with Amy Nofziger, the regional director for the AARP Foundation who works with the AARP Fraud Watch Network, and Mark Bagley, head of AARP’s Media Relations. They identified IRS scams, technical support scams, grandparent scams and government grant scams as those on the top of AARP’s watch list.

Nofziger said that the IRS scam, whereby the caller claims to be with the IRS and seeks out personal information in order to process a bogus refund or adjust the person’s tax return, is “one of the biggest scams and had the most complaints directed toward AARP’s Fraud Watch Network.”

While acknowledging that technical support scams affect everyone from 18 to 99 years of age, they said that the elderly are at a higher risk due to the perpetrator’s exploitation of their lack of understanding of technical computer issues and trusting someone who claims to be able to assist them.

Nofziger also said the grandparent scams are among the most egregious as they prey on an elderly person’s emotions and family ties. The perpetrator will usually say, “please don’t tell mom or dad, I don’t want them to know I am in trouble.” Many of these scams originate from perpetrators obtaining information from the person’s unsecured Facebook page.

We also discussed government grant scams, which the AARP recognizes was an issue in the recently concluded presidential election year. The unwitting victim was told that the government under the outgoing president has money to spend and award to members of the public. Victims were then asked to provide personal information, such as Social Security numbers, bank account information and other data, which the perpetrator then uses for fraudulent purposes.

Elder financial abuse often occurs within the family by adult children or grandchildren, but elder fraud and abuse can also be perpetrated by anyone else who is in a position of power, trust, or authority. This can include relatives, friends, neighbors, paid caregivers, landlords and even financial advisors.

Elders are often unable to understand what is happening to them due to advanced age or medical conditions. They may also not be familiar with financial matters, or they could be lonely and isolated, which also makes them more susceptible to becoming a victim of financial abuse. It is, therefore, critical to recognize the possible signs of elder financial abuse and understand current reporting options and resources available to help investigate and prevent these crimes from occurring.

**Potential Signs of Elder Financial Abuse**

There are many indicators of potential elder financial abuse, including those listed below. Although many of the indicators of potential financial abuse may be associated with other factors, including onset dementia, if you have any reason to suspect that someone is possibly a victim of elder financial abuse fraud, help them by contacting your local investigative authority to file a report. Some of the indicators include:

- Unpaid bills
- Sudden change in lifestyle
- Forged signatures
- Sudden accrual of debts
- Sudden sale or change in title of home, land or assets

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ELDER FINANCIAL ABUSE TRENDS (CONTINUED)

- Unexplained transfer of funds
- Power of attorney or wills changed under unusual circumstances
- Sudden changes in withdrawal amounts
- Elder complains about missing money or assets
- Elder reports financial abuse

As noted above, while some reports by elders may be a part of their dementia or illness, it is recommended that any such indicators be followed up to the extent they have substance to them.

Countering the Problem

Nofzinger stated what may be obvious to many of us, but needs to be reinforced regularly: “It is crucial people stay aware of current frauds and scams.” She added that falling for these scams is not necessarily linked to a person’s education level, but depends on their level of vulnerability. It is up to relatives and those with financial expertise, such as CPAs, to continually educate and inform elderly family members and clients, or clients with elderly family members. Just like all frauds, understanding the red flags and conducting due diligence is key. Nofzinger’s experience with AARP is that a person’s financial capability and decision-making are most susceptible to brain changes, which is why it is key for a close family member or financial adviser to stay in touch and closely monitor them.

Safety — The first consideration for any suspected elder financial abuse is the safety of the elder. If there are visible signs of abuse or you are concerned that the elder may be in danger, you should consider reporting the incident to your local law enforcement agency.

Rapport — Developing a rapport with the elder is very important as they may be reluctant to speak with you. In some situations, they may have been relying on and trusting the abuser for assistance with daily activities, including cooking and cleaning, and do not have any other source of assistance. Take the time to build a bond with the elder and be respectful.

Documentation — As with any allegation of fraud, gather the documentation such as bank statements, receipts, bills, power of attorney, wills and any other documents you may be required to provide to authorities.

Take Notes — Write down anything that the elder has told you regarding events that have taken place as it often assists with any follow-up that may be required at a later time. In some situations, there may be other elders that have been victimized or other people that may have been involved.
Profiled below are a few example cases involving instances of elder financial fraud. The types of frauds profiled are consistent with the schemes listed above. The important lesson for our readers is for citizens to be aware and report instances of anything out of the norm.

CASE NO. 1: Victim Louise Giacetti and Subject Linda Scaife

A criminal case filed in U.S. District Court, Kansas City, MO, illustrates the vulnerability of elderly persons being scammed by persons appearing to be their friends and caretakers.

Victim Louise Giacetti was an 84-year-old widow living alone and, unfortunately, experiencing family disunity. Her next-door neighbor, Linda Scaife, exploited the situation, befriended Giacetti and obtained power of attorney authority. Over time, Scaife immersed herself into the personal and financial affairs of Giacetti, while discouraging contact with other family members. Through a series of complex financial transactions, Scaife moved the life savings of Giacetti through various bank accounts in two states into her own accounts. Scaife moved Giacetti to a nursing home, sold her house, and pocketed the proceeds. Giacetti lost nearly $450,000 of her life savings, and she passed away with no money or assets left for her family.

Linda Scaife used the money to buy cars, jewelry, pay personal debts, pay credit cards, purchased property in Florida, and even paid the college loans of her husband.

Suspicious financial transactions were referred to the FBI for investigation. In the end, Scaife pleaded guilty to federal charges and received a 46-month prison sentence. The FBI was able to recover $100,000 from Scaife’s accounts.

CASE NO. 2: Subject Tea Lynette Ware of Cedar Rapids, IA

In a criminal case filed in U.S. District Court, Cedar Rapids, IA, subject Tea Lynette Ware was sentenced to three years in prison for defrauding an elderly victim of more than $100,000.

Ware pleaded guilty to a scheme where the victim was told she had won a lottery and was entitled to large sums of money. The victim was told the winnings or funds could be claimed only if she first mailed Ware money for purported taxes or fees. No such winnings existed and the calls were designed only to steal from the victim and her husband, a resident of a long-term care facility with dementia. A combination of the U.S. Postal Inspection Service and the FBI investigated this case.

CASE NO. 3: Subject Michelle Cantatore Pledged Guilty to Robbing Banks and Defrauding an Elderly Man Out of Nearly $200,000

In a criminal case filed in U.S. District Court in Newark, NJ, subject Michelle Cantatore pleaded guilty to robbing banks using a replica of a gun. In addition, Cantatore admitted stealing $198,750 from a sick and elderly man by taking his checks, writing them out to accounts she controlled, and cashing them without his knowledge.

Cantatore was sentenced to 13 years in prison, supervised release, and restitution of $406,703.

CASE NO. 4: Owner of Costa Rican Call Center Sentenced to Nine Years in Prison for Defrauding Elderly Victims through Sweepstakes Scam

In a criminal case files in the Western District of North Carolina, subject Geoffrey Alexander Ramer was sentenced to 108 months in prison for his role in a $1.88 million sweepstakes fraud scheme that victimized hundreds of elderly U.S. residents. From 2008 through December 2013, Ramer owned and operated call centers located in Costa Rica.

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Ramer and his co-conspirators called U.S. residents, many of whom were elderly, and falsely informed them that they had won a substantial cash prize in a sweepstakes, and that, in order to receive their prize money, the victims were to send money to Costa Rica for a purported refundable insurance fee. After receiving the victims’ money, the co-conspirators would contact the victims to falsely inform them that the prize amount had increased and the victims needed to send additional money for more purported fees. Ramer and his co-conspirators would continue these attempts to collect additional money until the victims went broke or discovered the fraud. According to court filings, a joint investigative team had been investigating fraudulent sweepstakes schemes targeting elderly victims based on complaints filed with the Federal Trade Commission (FTC) and information obtained from victim interviews. The joint investigative team included members from the U.S. Postal Inspection Service, the Department of Treasury, IRS Criminal Investigation, the Department of Homeland Security, Immigration and Customs Enforcement, the FBI and the FTC.

FRAUD NEWS: ELDER FRAUD (CONTINUED)

RESOURCES

President Obama established the Financial Fraud Enforcement Task Force in November 2009 to investigate and prosecute financial frauds. This task force also addresses elder fraud and financial exploitation: stopfraud.gov/protect-yourself.html.

The Department of Justice also has an Elder Justice Initiative, which can be found at: justice.gov/elderjustice.

The FBI also addresses fraud against seniors at: fbi.gov/scams-and-safety/common-fraud-schemes/seniors.

The National Committee for the Prevention of Elder Abuse is also dedicated to many issues involving seniors, including those related to financial exploitation. Their information can be found at: preventelderabuse.org.

The National Crime Prevention Council is another resource, which has information related to crimes against seniors: ncpc.org/topics/crime-against-seniors.

The National Council on Aging also addresses financial scams targeting seniors, which can be found at: ncoa.org/economic-security/money-management/scams-security/top-10-scams-targeting-seniors/.

Federal Trade Commission (FTC) Tip Line also collects information on issues such as identity theft at: ftc.gov/contact.

The Securities and Exchange Commission (SEC) has published several public education alerts and bulletins on the topic of elder financial fraud, including this short article highlighting five red flag warning signs: sec.gov/oiea/investor-alerts-bulletins/ia_fraud5redflags.html.

In 2013, seven federal agencies issued joint guidance in the area of investment schemes targeting the elderly population. The press release can be found at: sec.gov/news/press/2013/elder-abuse-guidance.pdf.

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