BASIC INFORMATION FOR OLDER AMERICANS

Introduction

Older Americans are the Number 1 targets of investment fraud and scams. They are being targeted:

through the internet
by mail
by phone
through in-home visits
at banks
through "free" financial seminars

WHY SENIORS ARE FREQUENT TARGETS FOR FRAUD

Lifestyle

Your lifestyle may increase your chances of being approached by a fraud artist. Do any of the following describe you?

- You are often home to answer the phone or the door.
- You are involved in community or interest groups (associations, clubs, churches, etc.).
- You are alone during the day.
- You have health-related difficulties that have increased your reliance on others.
- You are dissatisfied with interest rates or returns on your current investments.

Scam artists may use the situations listed above to take advantage of you by gaining your trust to steal your money. Fraud artists have no conscience and will engage in illegal activity to get at your money. They can be very convincing and will take advantage of individuals who they feel lack investment knowledge.

An Issue of Trust

Many seniors grew up in an environment of mutual trust and respect for their friends and co-workers. Often, a handshake was good enough to settle a deal and a person's word was all you needed.

In most cases, people who wish to take advantage of you will attempt to gain your trust. Con-artists are sometimes able to establish credibility through their friends or various affinity groups (groups that are organized around a common interest such as sports, hobbies, religion, or various social groups). Once a fraudster is able to establish credibility by association with these friendships or groups, they will ask for your involvement in an investment scheme, usually a very secretive one.

Prevention is the best way to protect yourself from fraud. Here's how you can prevent yourself from becoming a victim:

- Educate yourself about the warning signs of fraud
- Know what to look for and what to avoid
- Don’t allow yourself to be drawn in by excitement
- Don’t allow your emotions to take control of your money

ELEVEN SELF-DEFENSE TIPS FOR OLDER AMERICANS

1. Do not be a “courtesy victim.”

Older Americans are of 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 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 to many older Americans make when it comes to their personal finances.

- Say “no” to anyone 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 investmentsalespeople and firms is available from the Central Registration Depository (CRD) files available from the Attorney General’s Bureau of Investment Protection, 212-416-8222.

- Almost all investment opportunities must be registered for sale in New York, except private offerings that require high net worth

- The Attorney General’s office can tell you if the investment opportunity is properly registered upon a request in writing.

- Before you part with your hard-earned savings, get written information about the investment opportunity from the seller, review it carefully, and make sure that you understand all the risks involved.

A favorite tactic of telemarketing con artists is to develop a false bond of friendship with you. Swindlers know that many senior citizens are lonely and therefore more willing to talk on the telephone – even to 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 even 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 wants your money will be more than happy to assure that he or she can handle everything, thereby relieving you of the need to watch over and protect your assets. Beware of any financial professional who suggests putting your money into something 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 trusted professional before trusting a stranger who wants you to turn over your money and then sit back and wait for results.

4. Never judge a person's integrity by how they sound.

All too many investors who are defrauded later explain that the swindler seemed to be 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 putting 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 manner with personal integrity. Remember the sound of a voice or the smoothness of the sales presentation, particularly on the telephone, has no bearing on the soundness of an investment opportunity.

5. Watch out for salespeople who prey on your fears.

Con artists know that many older Americans worry that they will either outlive their savings or see all of their financial resources vanish overnight as the result of a catastrophic event, such as a costly hospitalization. Therefore, it is common for swindlers and abusive salespeople to pitch their 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 posture. An investment that is right 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." Sadly, many women who are now in their retirement years often received little or no education in their youth about how to handle money. Women of this generation often relied on their husbands to handle most of all major money decisions. Therefore, older women, particularly those who have received windfall insurance payments in the wake of their spouse's death, are prime targets for con artists. Elderly women who are on their own and have little expertise about handling money should always seek the advice of family members or a disinterested professional before deciding what to do with their savings. One excellent resource available nationwide is the Women's Financial Information Program at the American Association of Retired Persons (AARP). For more information, write: "Women's

Financial Information Program," AARP Consumer Affairs, 601 E. Street, N.W. Washington, DC 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 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 routine statements.
- When you suspect that something is amiss or you get unsatisfactory explanations, call or write the Attorney General's office and make a complaint.

8. Watch out 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" non-existent "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 senior citizens have even told us that they fear that their victimization will be viewed as grounds for institutionalization in a nursing home or other facility. Recognize that con artists know about such sensitivities and, in fact, count on these fears preventing or delaying the point of 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 recognize 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.” *Please call or write the Attorney General it you think you have been a victim of fraud. Perhaps you will prevent someone else from being victimized*.

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. Most 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 senior citizens 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 where lost -- and possibly even generate new returns beyond those originally promised. Though the desire to make up lost financial ground is understandable, all too often the result is that unwary senior citizens lose whatever savings they have left in the wake of the initial scam and possibly more in the second scam.

11. Beware of being “steered” into unsuitable investments or investment products you do not understand.

An illustration of this point comes from a complaint recently received by the Attorney General from a couple who had approximately $108,000 in three separate CDs at a local bank (where they had banked for years). They went to the bank one day simply to get a document notarized. A bank employee waved them over, looked up their accounts on his computer and proceeded to tell them that he could “do better” for them; and within 20 minutes put them into a new “guaranteed” investment. He had liquidated their CDs -- never discussing the penalty for early withdrawal and placed their funds in a *fixed annuity* -- an insurance product which has very high surrender charges during the first 5 to 7 years. When they got home and looked more closely at the paperwork (*for the 1st time*) they decided they didn’t want the annuity. They went back the *next day*, but were told they would lose $8,000 if they sold. They said they had felt comfortable and secure because they were in the bank they had dealt with for years. The Lessons to be learned from this are:

- Sales agents may misinform you about your existing investment, telling you that your current investment carries a much higher risk than the annuity or other financial product they are offering.

- Many traditional financial institutions, such as commercial banks and Savings and Loan Associations, seem to be pushing a variety of products, such as, fixed and variable annuities which may not be suitable for seniors.