

Senate Bill No. 2325

Types of investment frauds used to target seniors

Ponzi Schemes

- The product being offered can be anything—foreign exchange, a stock trading model, securitized instrument, investment pool, precious metal, etc.
- High returns are usually promised
- Risk is claimed to be minimal
- There's often no legitimate product
- Investors are paid with money from new investors

Private Placement Fraud

- A private placement is an offering of unregistered securities to a small or limited pool of investors. Because the offering is not registered, there is often limited information available about the investment.
- In a private placement, a company typically sells shares of stock, partnership interests or membership interests in the company in exchange for cash from the investor.

Promissory Note Schemes

- A promissory note is a form of debt security that a company may issue to raise money.
- Typically, an investor agrees to invest money in a company for a set amount of time. In exchange, the company promises to pay the investor a fixed return on their investment, typically principal plus annual interest.
- While promissory notes can be legitimate investments, those that are marketed broadly to individual investors often turn out to be scams.

Unregistered Persons

- Unregistered persons who sell securities perpetrate many of the securities frauds that target retail investors, and seniors are often the most heavily targeted.
- Always check whether the person offering to sell you an investment is registered and properly licensed, even if you know them personally.

Investment Property Schemes

-The scams, sometimes pitched as “investment clubs”, involve the purchase of properties at artificially inflated prices, pitched as investment opportunities to inexperienced real estate investors who are promised improbably high returns and low risk.

Other types of frauds used to target seniors

“Even though older consumers are less likely to report losing money to scams, certain scams are more likely to strike them. For example, older adults were more likely than younger consumers to report losing money on tech support scams, prize, sweepstakes & lottery scams, and family & friend impersonation. Phone scams did the most financial damage. And while gift cards became the payment of choice for scammers, wire transfers still take the top spot for total dollars paid.”

Source: FTC 2019

Advance Fee Fraud:

- Involve requests for up-front money or bank account details to secure investor’s involvement in their transaction
- Millions of dollars are promised in return once the transaction is complete
- Examples are funding for a business, bogus prize scams, lottery scams, sweepstakes scams

Charity Fraud:

- The act of using deception to get money from people who believe they are making donations to charities
- Common after high-profile disasters
- May also occur when a legitimate charity represents that funds will be used for a specific purpose but the money is used for other purposes

Construction and Home Repair Fraud:

- A person or company has been paid to perform a job, but either the job was not performed, or the work was performed poorly or not completed
- A typical scenario involves an uninvited door-to-door solicitation from a contractor claiming to have a “special price” on roofing, siding, windows, asphalt, or other services

Credit Card Fraud:

- The perpetrator obtains credit card information and uses it to charge items to senior's account
- Information could be obtained many ways such as physical theft, stolen from unsecured websites, or skimmer card reader device at a gas station or ATM, etc.

Government Imposter Scams:

- Con-artists impersonate government employees using aggressive and sophisticated tactics
- For example, may use fake names and phony IRS identification badge numbers
- Con-artists take advantage of some people's fear of the IRS to scare them into providing sensitive information or money by phone, email, or snail mail

Grandparent Scam:

- Con-artists call or email the senior posing as a relative in distress or someone claiming to represent the relative (such as a lawyer or law enforcement agent)
- The "relative" of the grandparent explains they are trouble and need the grandparent to wire funds
- The senior is urged not to tell anyone, such as the parent of the "grandchild"

Home Ownership or Loan Fraud:

- Signing Blank Documents: The homeowner is tricked into signing a lien document or deed transfer that has been disguised as other paperwork. Or, a homeowner signs a blank document and the signature is used on a lien or transfer document.
- Trusting People: Seemingly trustworthy people befriend senior homeowners and gain their trust. Once trust has been established, the senior is urged to transfer the deed to their home or set up home equity loans that allow the "friend" to unjustly access the homeowner's equity.
- Deed Forgeries: Scam artists forge the homeowner's signature on a blank "grant deed" in order to transfer ownership of property. With the phony deed, the scam artist can borrow against the equity in the home.

Lottery and Sweepstakes Scams:

- Calls or online solicitations that claim the senior was automatically entered in a sweepstakes they've never heard of before
- Con-artist will ask the senior to pay "fees" upfront before having access to winnings
- Once the con-artist gets payment, the senior never receives any prize/winnings and the money is gone
- A person calls the senior to say they have a winning state lottery ticket but needs help paying an upfront fee to collect on it

Romance Scam:

- Con-artists use dating sites, apps, phone calls, and social media to scout for lonely men and women
- After developing an on-line relationship and gaining trust, the con-artist says they are in need of money for an emergency such as to get out of a debt, a bad investment, medical bills, travel expenses etc. Repayment is promised but never happens.
- Con-artist may also get the victim to open a new bank account or crypto wallet that the con-artist gains access to and empties.

Tech Support Repair Scams:

- The con-artist wants the senior to believe that they have a serious problem with their computer, such as a virus
- They want the senior to pay for tech support services they do not need
- Will often attempt to pressure the senior into paying by wiring money, putting money on a gift card, prepaid card or cash reload card, or using a money transfer app

Source: NASAA

More than half of all Suspicious Activity Reports (SARs) filed by banks and related to Senior Financial Exploitation involve a money transfer.

The average loss by seniors for the measured period was \$32,800 for SARs involving a money transfer.

The second-most common financial product used to move funds was a checking or savings account (44 percent).

Checking or savings accounts had the highest monetary losses. The average monetary loss to the older adult was \$48,300 for SARs involving a checking or savings account.

The Consumer Financial Protection Bureau reports that SARs **quadrupled** from 2013 to 2017.

Source: Consumer Financial Protection Bureau

Risk Factors

Older adults can become targets because of the retirement savings and other assets they have spent decades building up.

Older adults tend to have financial resources that younger adults do not, in addition to higher rates of social isolation and cognitive decline, making them particularly vulnerable to financial exploitation.

Source: Stephen Deane, Office of Investor Advocate, SEC. [Elder Financial Exploitation White Paper \(sec.gov\)](#)

Nearly half of those over the age of 85, the fastest growing segment of our population, have Alzheimer's disease or another kind of dementia.

In 2017, an estimated 5.5 million Americans were estimated to have Alzheimer's with a diagnosis of Dementia. More than 96 percent of that group (5.3 million people) consisted of persons age 65 or older.

By 2050, the number of people age 65 and older with Alzheimer's disease is expected to more than double, to 13.8 million, absent medical breakthroughs to prevent or cure the disease.

Source: SEC, Office of the Investor Advocate

With the aging of the baby boomers, an average of 10,000 Americans have been turning 65 every day and will continue at that rate until the year **2030**.

By **2030**, one in five persons in the U.S. are projected to be 65 or older and their numbers are projected to reach 74 million.

By **2050**, the elderly population in America is expected to reach **88** million.

By **2060**, more than **98** million.

Source: SEC

Studies investigating the relationships between aging and cognitive impairment have concluded that financial decision-making is one of the first skills to decline. Problems with financial decision-making, including reconciling checking, savings, and other accounts, are now widely acknowledged to be early warning signs of cognitive decline.

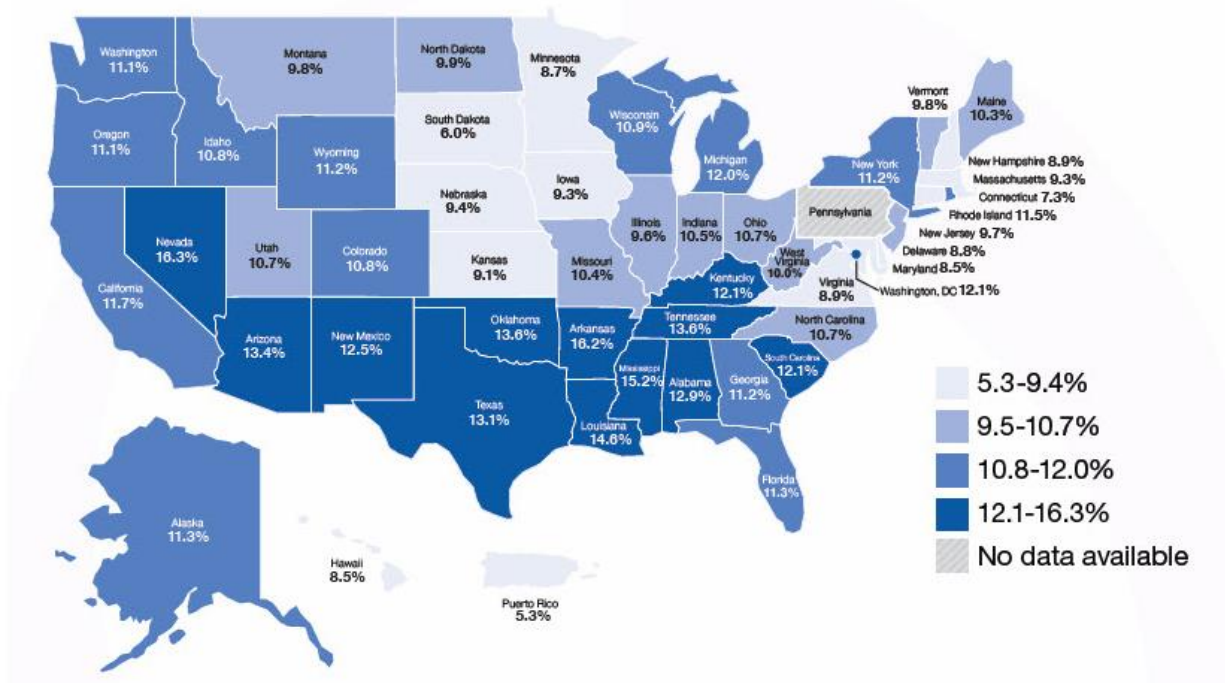
Loss of “executive function” overtime: the complex mental processes and cognitive abilities (such as working memory, impulse inhibition, and reasoning) that control the skills (such as organizing tasks, remembering details, managing time, and solving problems) required for goal-directed behavior.

Researchers have consistently found a strong relationship between healthy executive functions and good financial decision-making. Sound financial decision-making requires the ability to limit impulsive urges, plan ahead, and think abstractly, especially when it comes to being able to understand and predict the future consequences of a specific action taken today. The ability to organize, “connect the dots,” and control impulses may in fact be the most important cognitive functions underpinning good financial decision-making.

Source: Chris Heye, PhD, Retirement Income Institute

Prevalence of Subjective Cognitive Decline in the U.S.

Figure 1: Adults 45 years of age and older with Subjective Cognitive Decline



Source: Centers for Disease Control and Prevention

Data: Money lost due to exploitation of seniors

2019 Top Fraud Types by Total Dollars Lost (Ages 60 and over)



REPORTED DOLLAR LOSS

Sentinel fraud types classified as "unspecified" are excluded. The Investment: Advice, Seminars, Investment: Art/Gems/Rare Coins, Investment: Stock/Commodity Futures Trading and Investment (Other) fraud types are grouped as "Investments" for this visualization.

Source: *Consumer Affairs 2019*

Older adults are swindled out of more than \$3 billion each year.

More than 3.5 million older adults are victims of financial exploitation each year.

Seniors targeted by fraudsters suffer an average loss of \$34,200.

Source: *Consumer Affairs 2022* [Elder Financial Abuse Statistics 2023: Common Scams & Frauds | ConsumerAffairs](#)

Total Financial Assets: Americans over the age of 50 currently account for 77 percent of financial assets in the United States, according to the Securities Industry and Financial Markets Association (SIFMA).

Americans age 70 and above have a net worth of nearly \$35 trillion, according to Federal Reserve data. Their wealth is equal to 157% of U.S. gross domestic product, more than double the proportion 30 years ago, federal data show.

Source: Wall Street Journal 2021

Older Americans are one of the fastest-growing demographics in the country, with an average of 10,000 Americans turning 65 every day. Con artists tend to target older people, in part because they are more likely to have built up nest eggs, according to the FBI. And the U.S. Department of Justice estimates that \$3 billion is stolen or defrauded from millions of elderly Americans every year.

Source: FINRA [Protecting Seniors From Financial Exploitation | FINRA.org](#)

The overwhelming majority of incidents of elder financial exploitation go unreported to authorities. For every documented case of elder financial exploitation, 44 went unreported according to a New York state study.

Source: Stephen Deane, Office of Investor Advocate, SEC. [Elder Financial Exploitation White Paper \(sec.gov\)](#)

The Federal Trade Commission suggests seniors are 94% more likely to report fraud attempts if they haven't lost any money. This hesitancy to report lost money can be due to shame and older people not wanting to alert family members about an inability to manage their finances.

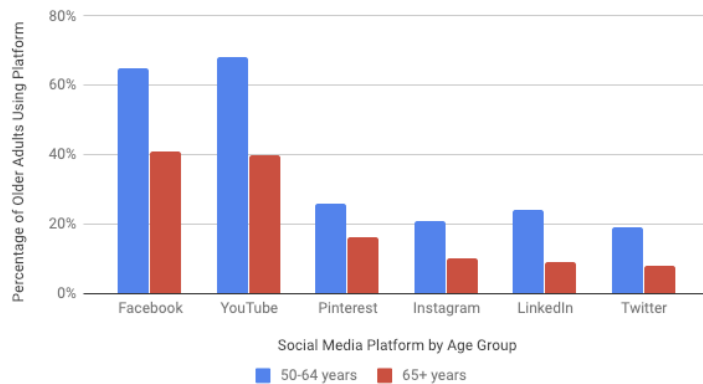
Source: Consumer Affairs 2022 [Elder Financial Abuse Statistics 2023: Common Scams & Frauds | ConsumerAffairs](#)

Social Media Use

SOCIAL MEDIA USE BY SENIORS

What social media platforms do Seniors use? The simple answer is Facebook, YouTube, Pinterest, Instagram, LinkedIn and Twitter. Although the rankings are not equal. According to the Pew Institute in a study published in 2018, Facebook and Youtube are the top platforms used by older adults by a wide margin. The other four platforms of note are nearly equal in popularity. Here are the Pew data.

Social Media Use by Older Adults



Age Group	Facebook	YouTube	Pinterest	Instagram	LinkedIn	Twitter
50-64 years	65%	68%	26%	21%	24%	19%
65+ years	41%	40%	16%	10%	9%	8%

Facebook is still by far the most popular social platform for seniors.

Source: Pew Research data via Senior Tech Club [Social Media for Older Adults | Senior Tech Club](#)

When the Center began tracking internet adoption in early 2000, just 14% of seniors were internet users. But today, 67% of adults ages 65 and older say they go online.

Today, 34% of Americans ages 65 and up say they use social networking sites like Facebook or Twitter. This represents a seven-point increase from 2013, when 27% of older adults reported using social media.

Younger seniors are more likely than their older counterparts to use social media. More than four-in-ten (45%) seniors under the age of 75 say they use social networking sites, compared with 20% of those ages 75 and older. Social networking use is also relatively

common among those who have at least some college experience and those whose annual household income is \$50,000 or more.

Source: Pew Research 2017 [Technology use among seniors | Pew Research Center](#)