

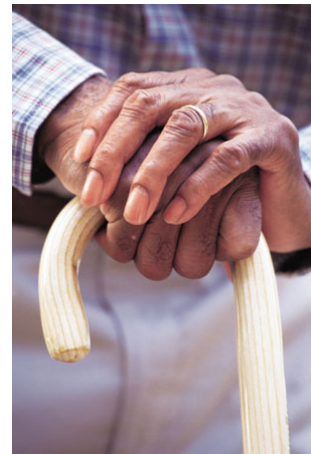


Combating Financial Exploitation of Seniors

Willie Sutton was once asked why he robbed banks. "Because that's where the money is," he reportedly replied. When it comes to financial fraud, all too often the same reality creates targets of seniors. The elderly are victims because they have accumulated assets over their lifetime. But there's another factor that contributes to elder fraud. Research indicates that age-related changes in the brain make it harder to detect suspicious body language and other warning signs that people may be untrustworthy. Regardless of the cause, financial exploitation of the elderly is on the increase and costs billions each year.

To combat financial exploitation of investment accounts of the elderly, the SEC has approved (1) the adoption of new FINRA Rule 2165 - Financial Exploitation of Specified Adults - to permit brokerage firm representatives/members to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers; and (2) amendments to FINRA Rule 4512 (Customer Account Information) to require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account. Both become effective February 5, 2018.

The definition of "specified adult" in Rule 2165 covers those investors who are particularly susceptible to financial exploitation. A "specified adult" is (A) a natural person age 65 and older or (B) a natural person age 18 and older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.



The rules "permit" but do not require the securities representative's action. They do provide financial professionals with a safe harbor from other requirements that would penalize them for failing to follow client instructions on a timely basis.

The National Adult Protective Services Association has published the following list of common scams:

Common Scams by Strangers

- Lottery & sweepstakes scams "You've already won! Just send \$2,500 to cover your taxes"
- Home repair/traveling con men "We're in your area and can coat your driveway / roof really cheaply"
- Grandparent scam: You're called and told your grandson is in jail and needs you to send money immediately
- Charity scams: falsely soliciting funds for good causes; very common after disasters
- Roof repair, yard work, home repair scams

- Telemarketing scams and accompanying threats

Common Scams by "Professionals"

- Predatory Lending - seniors pressured into taking out inappropriate reverse mortgages or other loans
- Annuity sales - the senior may be pressured into using the equity realized from a reverse mortgage (or other liquid assets) to buy an expensive annuity which may not mature until the person is well into their 90's or over 100
- Investment/securities schemes - pyramid schemes; unrealistic returns promised; dealer is not licensed
- Internet phishing - false emails about bank accounts
- Identity theft - credit cards opened fraudulently, etc.
- Medicare scams - these are the costliest in terms of the dollar amounts

Common Ways Family Members and Trusted Others Financially Exploit Vulnerable Adults

- Using a Power of Attorney, given by the victim to allow another person to handle his/her finances, as a license to steal the victim's monies for the perpetrator's own use
- Taking advantage of joint bank accounts in the same way
- Using ATM cards and stealing checks to withdraw monies from the victim's accounts
- In-home care providers charging for services; keeping change from errands, paying bills which don't belong to the vulnerable adult, asking the vulnerable adult to sign falsified time sheets



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