



Common Types of Elder Financial Exploitation

This module doesn't cover all types of elder financial exploitation in depth. However, it does discuss the key points and give some general guidelines to help you identify fraud, scams and other types of financial exploitation and give tips to help you prevent it from happening. This guide also provides a list of resources that you can consult as the need arises.

Exploitation by a Fiduciary

A person who is named to manage your money or property is a fiduciary. He or she must manage your money and property for your benefit. Financial exploitation can occur when a fiduciary abuses that power.

The person you appoint as your fiduciary should be trustworthy and honest. Your fiduciary has four basic duties:

1. Act only in your interest
2. Manage your money and property carefully
3. Keep your money and property separate from his/hers
4. Keep good records

Your fiduciary should be trustworthy and honest.

Your fiduciary can be removed if he or she does not fulfill his/her obligations or duties. Fiduciaries can be sued and may be ordered to repay money. If elder financial exploitation is reported to the police or Adult Protective Services, the fiduciary could be investigated. If the fiduciary is convicted of stealing your assets, he or she can go to jail.

Power of Attorney

One way some older adults prepare for the possibility of diminished financial decision-making capacity is by making a power of attorney (POA) for finances. A power of attorney gives someone else legal authority to make decisions about money or property. That person—called the agent—can make decisions if the older adult is sick or injured.

Creating a POA is a private way to appoint a substitute decision maker and is relatively inexpensive. If you don't appoint an agent under a POA before your decision-making

ability declines, a family member or friend might have to go to court to have a guardian appointed – and that process can be lengthy, expensive, and public.

A POA does involve some risk. It gives someone else – your agent – a great deal of authority over your finances without regular oversight. POA abuse can take many forms:

- Your agent might pressure you for authority that you do not want to grant.
- Your agent may spend your money on him or herself rather than for your benefit.
- Your agent might do things you didn't authorize him or her to do – for example, make gifts or change beneficiaries on insurance policies or retirement plans.

POAs differ

POAs vary, depending on what your state law allows and the wording in the document. Generally, a POA goes into effect as soon as it is signed unless the document specifies a different arrangement. That means that even if you are capable of making decisions, your representative can immediately act on your behalf.

There are ways to customize a power of attorney to fit your needs and preferences.

A durable power of attorney remains effective even if the grantor loses the capacity to make financial decisions. If you want your POA to remain effective if you become unable to manage your money or property, make sure it is durable.

There are ways to customize a power of attorney to fit your needs and preferences. An attorney can help you make an appropriate POA for your circumstances.

What are some ways to minimize the risk of POA abuse?

- Trust, but verify. Only appoint someone you really trust and make sure they know your wishes and preferences. You can require in your POA that your agent regularly report to another person on the financial transactions he or she makes on your behalf.
- Avoid appointing a person who mismanages their own money or has problems with substance abuse or gambling.
- Tell friends, family members, and financial advisers about your POA so they can look out for you.
- Ask your financial institution about its POA procedures. The financial institution may have its own form that it wants you to complete. But a POA that is valid under your state's law should be accepted by financial service providers.
- Remember that POA designations are not written in stone – you can change them. If you decide that your agent isn't or is no longer the best person to handle your finances, you can revoke (cancel) your POA. Notify your financial institution if you do this.
- Avoid appointing hired caregivers or other paid helpers as your agent under a power of attorney.
- Beware of someone who wants to help you out by handling your finances and be your new "best friend." If an offer of help seems too good to be true, it probably is.

Plan ahead!

A durable power of attorney is a very important tool in planning for financial incapacity due to Alzheimer's disease, other forms of dementia, or other health problems. It is advisable to consult with an attorney when preparing a power of attorney, a trust or any legal document giving someone else authority over your finances.

Help your agent under a power of attorney or other fiduciary help you.

The CFPB has plain language guides to help people acting as fiduciaries in three ways:

- The guides walk fiduciaries through their duties.
- The guides tell fiduciaries how to watch out for scams and financial exploitation, and what to do if their loved one is a victim.
- The guides tell fiduciaries where to go for help.

Guides are available to download or order free copies on the CFPB website.

The guides are available to download and you can order free copies on the CFPB website at **consumerfinance.gov/msem**.

If you or a loved one is a victim of financial exploitation by a fiduciary, take action immediately and make a report to Adult Protective Services or your local law enforcement agency.

Exploitation by Caregivers and In-Home Helpers – Tips to Defend You at Home

Elder financial exploitation is often perpetuated by family members and other caregivers.

You can take steps to guard against financial exploitation by someone acting as a caregiver or in-home helper.

- Secure your private financial documents including checks, financial statements and credit cards and statements. Consider using a locked file cabinet.
- Require receipts for purchases made by helpers.
- Monitor bank accounts and telephone bills. Ask for help from a third party, if needed, and consider an automatic bill pay system. Consider setting up transaction alerts that are monitored by a family member or other third party.
- Do not let hired caregivers or helpers open your mail, pay your bills, or manage your finances.
- Never promise money or assets to someone when you die in exchange for care provided now.
- Never lend employees money or personal property.
- If you have trouble reading your statement, ask your financial institution if a second copy of your statement can go to someone who can read it for you. This person does not need to have authority to act on your behalf. Also, your financial institution may be able to send you your statement in large print.
- Never let caregivers use your credit/debit card to run errands or make purchases for you.
- Secure your valuables such as jewelry and other property.
- Check your free credit reports at **annualcreditreport.com**.

Romance Scams

A romance scam is when a new love interest says they love you, but they just want your money. And the person may not be who they say they are. Romance scams can happen online or in person.

Romance scams are on the rise, according to new Federal Trade Commission data that show consumers reported losing a record \$304 million to the scams in 2020. The amount consumers reported losing to romance scammers is up about 50 percent since 2019 and has increased over 400 percent since 2016.

Online romance scams

Online romance scammers can connect with people through social media, dating apps, websites, text messages, or email. They may draw people into a relationship by building false personas that seem just real enough to be true. They may use their own photos or steal other people's photos from the Internet. Romance scammers often get information from social media profiles so they can fake similar interests, hobbies, and values.

Eventually, the supposed suitor will ask for money in a variety of ways. They may start small by asking for a small monetary loan for a car repair or help paying a medical bill to gauge the willingness to lend money. After the first few successful asks, the loan amounts may become higher. They also may ask for gift cards or wire transfers, which are hard to trace. Some scams may involve identity theft, misuse of government benefits, or even money laundering. The median loss reported to the FTC for romance scams is \$2,500—over 10 times higher than the median loss across all other frauds.

The social and physical distance recommendations associated with the COVID-19 pandemic has led to loneliness and isolation, and romance scammers are taking advantage of people's need

for connection. Scammers may even use a natural disaster, pandemic, or other current events as an excuse not to meet in person, which could keep their online scam going.

In person romance scams

Some romance scams happen in person. This financial exploitation could involve older adults who are socially isolated or dependent on others to assist them. The scammer could be a person you meet at places such as your church, community center, or social group.

Romance scammers may take time to build trust with you. They may ask for a small monetary loan at first, and increase the amount based on willingness to lend money.

Warning signs

Online and in-person romance scammers are financial predators. They play to your affection to gain your trust and access to your money. Here are some warning signs:

A new friend or love interest may:

- be overly complimentary and flirtatious;
- shower you with affection and overwhelm you with texts, emails, and phone calls;
- suggest or insist that you keep the “relationship” a secret;
- pressures or hurries you to share your private financial information or seem pushy or nosy about your finances.

Online romance scammers often say they can't visit you in person because they are:

- living or traveling outside of the country
- working on an oil rig
- in the military
- a doctor with an international organization

Romance scammers:

- claim to need money for an emergency surgery or other medical bills
- ask for a loan or gift by wire transfer, gift cards or even cash.
- say they need to pay customs fees or gambling debts
- request money for plane ticket or other travel expenses, a visa or other official travel documents

Getting help:

If you think you are being scammed or have given, or sent, money to a scammer:

- Stop communicating with the person;
- Notify your financial institution immediately If you sent money or gave someone your banking information;
- Talk to someone you trust (a family member, friends or clergy). If they say they are concerned about your new love interest, pay attention!
- Report local in-person romance scams to local law enforcement and Adult Protective Services (APS);
- Report online romance scams to FBI's Internet Crime Complaint Center;
- Report all scams to the Federal Trade Commission at **reportfraud.ftc.gov**

The sooner you act and report scams, the better the chance you'll have of intercepting any stolen funds.