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NEWS RELEASE

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FINANCIAL LITERACY MONTH TIP OF THE WEEK

Seniors NOT Immune From Financial Fraud - Abuse and Outright Fraud Increase With Age

It's no surprise that our population is aging. Census estimates report that more than one in five adults in the United States will be over 65 sometime during the next decade. Perhaps more importantly, it has been estimated that about one in five Americans aged 65 or older already have been victimized by financial fraud and experts agree that fraud and financial exploitation of American seniors is getting worse. And while most of us over 60 won't admit it, older adults are attractive targets for financial exploitation because they tend to possess more wealth than other possible targets - wealth that has often been accumulated over a lifetime of hard work.

Idaho is not immune to elder financial fraud and abuse. The Department of Finance Securities Bureau estimates that roughly 60% of its financial fraud investigations involved at least one, and often more individuals that are over the age of 55. Information gathered from state securities regulators across the country report that at least one in four enforcement matters involved "targeting" of elderly investors. This all demonstrates the urgent need to address the issue of elder financial abuse.

What Are Regulators Doing To Combat Elder Financial Abuse and Fraud? – During 2004, the Idaho Uniform Securities Act was amended to provide tougher criminal penalties for frauds that involved the use of home equity or funds from retirement accounts, while also enhancing penalties if the victim is an elder or dependent adult.

More recently, the North American Securities Administrators Association (NASAA), of which the Department is a member, adopted a separate proposed model law designed to protect adults 65 and older, and other individuals at increased risk of diminished capacity or other cognitive impairment, from financial exploitation. This law is designed to assist industry and regulators dealing with instances of potential elder abuse and related financial frauds. The Department of Finance supported NASAA in this effort and is studying the new proposal as a possible means to provide greater protections to vulnerable Idaho investors. More information on this initiative can be found at <http://serveourseniors.org/about/policy-makers/>.

As a financial educator, the department continues to sponsor financial education events and often directs some of this education toward mature segments of our population. For example, in recent years, the department has been a member of the Idaho Scam Jam Alliance, which promotes "Scam Jams" held around the state. Many attendees of these events are senior citizens.

Starting in April, state securities regulators will also offer training for investment advisers and brokers to help them detect and report financial exploitation of elderly clients.

What Can You Do To Fight Senior Investment Fraud and Abuse? Financial exploitation of seniors and other susceptible adults relies on the fraudster's ability to gain your trust and confidence. Our older generations are particularly vulnerable to "nice" people that work to develop a false bond of caring or friendship. While relationship building is the fabric of our lives, we still need to approach any request for monies or investment with a skeptical eye. Don't let the relationship drive your decision making! Instead:

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Ask questions and check out the answers – Most financial products and investments are not “new.” You should be able to do independent research to help you understand the product, its characteristics and pitfalls. If you are being sold a “ground floor” opportunity, know that you are most likely facing a high risk investment and need to proceed with caution.

Don’t fall for “market returns without market risk” pitches – Stock market volatility has been a front burner issue for many older investors. You may remember the market break of 1987, the high tech bubble of 2001 or the Great Recession of 2007-09. Our sensitivity to these experiences makes for fertile ground when a pitchman promises us safe and attractive returns with “little or no risk.” Always remember that higher returns must almost always be accompanied by higher risks. Unscrupulous sales agents may hide the real risks from you while emphasizing the safety of an investment.

Check with regulators to see if the salesman is properly licensed – Most people and companies selling financial and investment products are regulated and licensed. You can call the Idaho Securities Bureau at (208) 332-8004 to determine if an investment salesman is licensed, if a license is required, or whether there is another agency that can provide additional information. The Department of Finance may have information about the product being sold or can assist you in identifying other important questions to ask.

Unsolicited “Cold Callers” can’t know you or your needs – While cold calls are less plentiful than in recent decades, people selling financial products should make a significant effort to understand your financial objectives and needs. If they don’t ask, then you are probably best served by looking elsewhere.

Don’t believe it just because it is in writing or is on the Internet – Glossy marketing materials and professional looking websites are merely wrappers intended to make us feel better. Care should be taken to go beyond the veneer of the product or company and, again, to do some independent research.

Don’t EVER be rushed into a decision – Ever go to a car lot and get pressed really hard to make a deal? While this tactic may be acceptable to some organizations, financial regulators caution ALL investors to take their time when considering an investment commitment. It is extremely unlikely that any financial product is so scarce that a decision needs to be made immediately. High pressure sales tactics are a red flag when it comes to safe investing. Always investigate BEFORE you invest – check the product or opportunity out with a trusted professional, an independent advisor, or contact a securities regulator such as the Department of Finance.

Never invest to “make up” for lost time or bad investments - As we age, concerns about prior losses or lost savings years may make us susceptible to taking greater risks trying to make up those savings dollars and investment earnings. Always understand what you are investing in. As you age, investing may be more about risk moderation and less about “hitting a home run.”

Never be afraid to complain – If you suspect fraud or cannot get a straight answer to your investment questions, don’t feel embarrassed or concerned about how others may judge you. There are many agencies dedicated to protecting investors that may be able to help.
