

Hold On to Your Nest Egg

Beware Scam Artists Who Target Seniors' Savings

By KATHY CHU

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About five years ago, Maria Coco became suspicious about a \$200,000 investment that her 80-year-old mother had made with a broker who then failed to send her any account statements. Coco grew especially alarmed once she tried to withdraw some of her mother's money, and the broker's check bounced. Her mother had apparently fallen prey to a scam -- commonly known as a Ponzi scheme -- whereby a financial adviser illegally uses new investors' money to pay existing investors, according to Massachusetts securities regulators.

Coco was fortunate: She was eventually able to recover about half the money this year with help from her lawyer and the Massachusetts securities department. But the recovery was bittersweet. It was too late to use the money for what it was intended: to care for her mother at home. Two years ago, Coco was forced to put her mother in a nursing home, where she died in early 2006, because there wasn't enough money to hire a caretaker for her at home. "This was one of the worse experiences in my entire life," says Coco, 52, who lived with her mother for the last 15 years of her life. "I've had breast cancer twice, lost a child, and this was right up there. I was powerless."

Each year, slick-talking scammers call your parents, come into their homes and invite them to seminars. They peddle promises of risk-free investments and gargantuan sweepstakes winnings. Then they take your parents' money and disappear.

The Federal Trade Commission estimates that 1.7 million seniors 65 and older (or 3.4 million people 55 and older) were fraud victims from mid-2002 to mid-2003, the latest period for which figures are available. It's a problem that experts say will balloon as 79 million baby boomers themselves age. Already, nearly a third of investor complaints to state regulators come from people 50 and older, according to the North American Securities Administrators Association.

"It's going to be a learning experience for the boomers to make sure that [fraud] doesn't happen to them as well as their parents," says Sally Hurme, a project manager at AARP. Among the top traps ensnaring investors this year, according to the securities administrators association: oil and gas investments, Internet fraud and speculative investment products pitched at free-lunch seminars.

Investors of all ages can be fleeced. But the elderly tend to be more vulnerable because they've accumulated a lifetime's worth of assets and have free time to listen to sales pitches. "They may not get enough attention from their family and crave the attention," says Joseph Borg, president of the NASAA. Some say they feel reluctant to cut salesmen off. "I've never hung up on anyone," says Robert Goyer, 83, of Chandler, Ariz. "I feel an obligation to at least say hello and find out what they're saying. I regret it sometimes."

When seniors are scammed, their adult children often bear the burden of trying to recover the money -- and of supporting parents who may have just lost a big chunk of their savings.

Sonia Tanner, 50, of Novato, Calif., has dipped into her own nest egg -- and will likely have to delay retirement -- to help pay for a 24-hour caretaker for her mother, Betty Tanner, who lost more than \$300,000 to scammers. The fraudsters told her she had won millions of dollars but needed to pay taxes and other fees to claim the money.

"They said, 'Don't tell your children,' " Sonia says. " 'They're going to be so thrilled when you've won.' " The con artists gained her mother's trust by calling her multiple times a day, for months. By the time Sonia intervened, she says, her mother, now 77, felt so emotionally intimate with the scammers that she would hang up the phone saying, "I love you" to them. "You blame yourself," says Sonia, who lives a 15-minute drive from her mother. "I couldn't understand how I didn't know what was going on." Before her mother developed Parkinson's disease in recent years, she was "lucid and swift," Sonia says. That's why it didn't occur to her to monitor her mother's finances.

The belief that investors who are financially knowledgeable won't fall prey to fraud can make elderly parents -- and their adult children -- less vigilant. But seniors who are fraud victims tend to be more financially literate than nonvictims, according to a 2005-06 study by Wise Senior Services, an advocacy group for seniors, funded by the NASD Investor Education Foundation. "They know just enough so they think they can control the situation," says Grace Cheng Braun, CEO of Wise Senior Services.

It's not just unsavory caretakers and brokers who target your parents. Most financial exploitation occurs when one family member takes advantage of another, elder care experts say. Many such cases go unreported because parents are hesitant to turn in relatives.

"If there's an unscrupulous child or relative, then he or she may take advantage of parents and siphon off the money," Cheng Braun says. "It might be a friend or neighbor who sees something going on and reports it."

How do you prevent fraud? "Really watch closely and talk to your parents about what they're doing," says Lori Richards, director of the office of compliance, inspections and examinations at the Securities and Exchange Commission. "They have money and assets, and in some ways, are ripe for people to target them."

Amy Goyer, Robert Goyer's daughter, recently discovered unfamiliar charges on her parents' credit card bills. She spent hours getting these charges reversed. She also found a charitable contribution that she suspects is fraudulent: The person had asked her father to make out the check to him rather than to a charity. Amy says she's taken a more active role in her parents' finances after these discoveries. But she worries that she can do only so much because she lives thousands of miles from her parents, in Alexandria, Va. Her sister, Susie, who lives in Arizona near their parents, is also helping out, sorting mail and driving her parents to appointments.

"I feel that's what we can do to support" them, Amy says. "My mom's and dad's generation they didn't grow up aggressive about saying 'no.' "

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