Elder Financial Exploitation: The Silent Epidemic

By Carrie Aimer

In Missouri, a 91-year-old woman lives in a nursing home. Although mentally competent, she was taken to the facility for a visit by her Durable Power of Attorney and left there. While in the nursing home, she learned that one of her farms and a number of her household items had been sold by her DPA. Having granted power of attorney when she was extremely ill and hospitalized, she had no memory of signing the DPA document and had no intention of selling any of her property.

In Oregon, an elderly woman was living alone. At the age of 90, she was deaf, partially blind and in a wheelchair. She hired a fulltime caregiver, who billed her $56,000 between March and September 1999, draining her accounts completely. Sadly, the woman's family and public officials only became aware of the abuse following her death.

While these tragic cases, reported to state and local officials, may seem extreme, they unfortunately represent a growing crisis in the United States. For most seniors, the “golden years” represent a carefree time full of opportunities to relax, travel and enjoy life with family and friends. Yet, too many Americans find themselves financially devastated during their retirements as a result of financial exploitation and abuse.

A Growing Crisis

The National Center on Elder Abuse defines elder financial exploitation as “the illegal or improper use of an elder’s funds, property or assets.” According to Paul Greenwood, the lead prosecutor on senior abuse cases in San Diego County, California, financial abuse takes many forms, including credit card fraud, real estate scams, identity theft and burglary. And reports of elder financial exploitation, experts say, are on the rise.

Reported cases of elder financial exploitation have more than tripled in Oregon since 1993. Representatives of the Elder Safe Program in Washington County, Oregon, recently noted that senior citizens in that county lost almost $2 million to financial exploitation and crime in 2004. And county officials estimate that actual losses may be even greater, as NCEA studies show that only an estimated 16 percent of elder abuse cases are actually reported to officials. According to Joyce DeMornin, coordinator for the program, “While the number is shockingly high, we know it is still a fraction of the amount of money seniors lost in Washington County last year.” She adds that true losses to Washington County seniors could total $10 million.

“Elder financial abuse is a crime of opportunity and its on the rise,” said Maine Attorney General Steven Rowe to participants at a May 2004 conference on elder abuse. “Seventy percent of the nation’s net worth is owned by those aged 50 or older. This makes seniors a rich target. Forty percent of all reported elder abuse cases involve financial exploitation.”

According to Rowe, Maine’s Bureau of Older and Adult Services referred substantiated cases totaling more than $22 million to the Attorney General’s Office between July 2001 and May 2004. The average victim reported losing $49,000, Rowe said.

Fact File

- Nearly 33 percent of the complaints for telemarketing frauds in 2004 were made by individuals age 60 and older, up from 27 percent in 2002.
- The proportion of individuals losing $5,000 or more through Internet fraud is higher for victims 60 years and older than for any other age group.
- From 1992 to 1997, seniors were the victims of 2.7 million property and violent crimes; 2.5 million burglaries, motor vehicle thefts, and household thefts; 46,000 purse snatchings and pocket-pickings; and 165,000 non-lethal violent crimes including rape, robbery and aggravated and simple assault.
- Estimates indicate that only 1 in 25 cases of elder financial abuse is reported. There may be as many as 5 million elders victimized by financial exploitation each year.

Sources: National Fraud Information Center; National White collar Crime Center; U.S. Department of Justice; Bureau of Justice Statistics; Alaska National Center on Elder Abuse;
While reports of elder financial abuse are increasingly common, experts are unaware of the true scope of the crisis nationwide. Like other forms of elder abuse, few cases of financial exploitation are reported to officials. A study conducted by NCEA in 1999 found that for every reported case of elder abuse, another five cases were unreported. And elders are less likely to report incidents of financial exploitation than any other category of abuse, according to a paper by The Archstone Foundation. NCEA recently cited estimates indicating that only 1 in 25 cases of elder financial abuse is reported to officials, suggesting that as many as 5 million seniors may be victims by financial exploitation each year.

And as the U.S. population ages, the incidence of elder financial abuse is likely to rise. In 2000, there were an estimated 35 million individuals age 65 or older in the United States, comprising nearly 13 percent of the total population. The Federal Interagency Forum on Aging-Related Statistics reports that the size of the older population is expected to double by 2030, growing to 70 million. This will create an even larger population of seniors vulnerable to financial exploitation.

According to a report issued in 2002 by the National Research Council, “The occurrence and severity of elder mistreatment are likely to increase markedly over the coming decades, as the population ages, caregiving responsibilities and relationships change, and increasing numbers of older persons require long-term care.”

The Cost of Abuse

While little is known about the exact costs associated with elder abuse, experts note they are likely significant. “When elder abuse victims lose their homes or financial resources through exploitation and end up in a nursing home on Medicaid or in government-subsidized housing, the taxpayers pick up those costs,” noted Lori Siegel of the American Bar Association’s Commission on Law and Aging at a 2003 hearing of the U.S. Judiciary Committee. “When elder abuse victims need services from adult protection programs, long-term care ombudsman programs, state regulatory agencies, law enforcement agencies, prosecutors, public guardians, or the resources of a court system to help protect them from further abuse, the taxpayers bear those costs.”

The cost to older victims is equally troubling. “Losing the fruits of a lifetime’s labor through financial exploitation can be devastating,” said a recent paper on elder financial crimes by NCEA and the Goldman Institute on Aging. “It may compromise victims’ independence and security, destroy legacies, and lead to depression, hopelessness, or even suicide. Although financial crimes are committed against members of all age groups, the impact is particularly great on the elderly.”

For seniors, victimization can mean the loss of lifelong savings and pension benefits. As a result, elder victims may find themselves suddenly dependent on public assistance programs or going without food, medication or other necessities.

At a 1999 hearing of the U.S. Senate Judiciary Committee, Susan Herman of the National Center for Victims of Crime noted that financial exploitation of the elderly can have serious, lifelong impacts for victims. “Generally, senior citizens do not have the time or opportunity for financial recovery, theirprime earning years are behind them. At a time when one tries to conserve assets, a blow to financial security is often a permanent and life-threatening setback,” she stated.

State Initiatives: Getting Banks Involved

Some states are including banks in their efforts to combat elder financial abuse, recognizing the potential for frontline bank employees to detect suspected cases of financial exploitation of seniors on a daily basis.

The Oregon Elder Financial Exploitation Program is a partnership between the Oregon Department of Justice, local agencies serving the elderly, the Oregon Bankers Association and AARP. With funding from the U.S. Department of Justice’s Office for the Victims of Crime, the program has developed training materials to educate bank personnel on recognizing the warning signs of elder financial exploitation and the appropriate mechanisms for reporting suspected cases. Oregon law grants immunity to banks and their staff when reporting suspicions of elder financial abuse.

Meanwhile, the California Bankers Association is sponsoring AB 1664, the Elder Abuse Reporting Bill. Introduced by Assemblyman Mike Gordon, the bill authorizes the staff of financial institutions to report incidents of suspected financial abuse of an elder or dependent adult. The bill also authorizes APS officials to request and receive financial information of a bank client when investigating the financial abuse of an elder. The bill was referred to the committee on aging and long-term care on April 19, 2005.
Challenges For State Officials

As state and local officials try to address the incredibly complex problem of elder financial abuse, they face a number of challenges. Experts point out that seniors are uniquely vulnerable to financial exploitation. Fabry live independently and are isolated from the rest of the community. Elders tend to be home during the day, more trusting of strangers, less likely to report exploitation and increasingly dependent on others for daily tasks, such as home repairs. American seniors also hold a disproportionate percentage of the country’s wealth and often have quick access to significant amounts of cash. Together, these factors render seniors at high risk of becoming victims of financial exploitation and fraud.

Yet, little is known about the extent of financial crimes against the elderly. While some research has been conducted on elderly victimization by telemarketing frauds, only limited information exists on other areas of elder financial abuse, including fraud and theft by family members and domestic caregivers.

Further complicating the matter is the fact that few cases of elder financial abuse are reported to officials. According to experts, seniors may be reluctant to report such crimes against them out of shame or embarrassment. For other aging adults, financial matters remain a taboo subject not open to discussion. Some may fear being seen as incompetent or, worse, being deprived of their independence should they report having been defrauded. Elders who are victimized by family members, meanwhile, may be hesitant to report crimes against them, reluctant to get loved ones in trouble.

Experts also point out difficulties in regulating in-home care providers, one of the fastest-growing job segments in the country. Individual caregivers are rarely subjected to background checks, which pose a major risk to the wellbeing of elders. Greenwood reports, “The majority of cases I prosecute now are convicted felons...taking care of the elderly.”

Another challenge for state leaders is the complexity of elder financial abuse and the need for interagency coordination at state and local levels. Like other forms of elder abuse, effective state responses to financial exploitation require collaboration by a range of state and local agencies, including law enforcement, adult protective services, victim service agencies and private partners. Without adequate mechanisms in place for interagency coordination, for example, incidents of elder fraud reported to APS may never be passed on to law enforcement officials, preventing prosecution of cases and restitution to elder victims. Yet, coordination remains a major challenge for states due to limited agency mandates, finite resources, competing priorities and work-force shortages.

Experts caution that the lack of coordination can be disastrous for elder victims. According to A. Elder Hamilton, protective program administrator for Maine and past president of the National Adult Protection Services Association, the lack of interagency coordination means that “victims remain hidden. Elder abuse continues to be undetected and underreported. We need to develop a systemic response to elder abuse before we become victims.”

States Respond

Despite these and other challenges, states are becoming increasingly aware of elder financial abuse and are taking steps to address the problem through legislative and programmatic initiatives.

For instance, in a 2003 survey by the National Association of Adult Protective Services Administrators, 29 out of the 35 responding states noted that they had a mandatory reporting statute that included financial exploitation. According to a recent study by the University of Iowa, state mandatory reporting laws are linked to significantly higher investigation rates of elder abuse cases among states.

In Maine, the Improvised Transfers of Title law allows seniors who have transferred property as a result of undue influence to get court orders to return the law applies to both financial and real property that has been transferred to someone with a confidential or fiduciary relationship to the victim, including family members, accountants, brokers, financial advisors, health care providers, attorneys, caregivers and friends.

According to Arizona law, individuals in a position of trust who use deception or intimidation to gain permanent control of a senior’s assets are considered guilty of theft. Individuals guilty of violating their duties to elders are further subject to damages in civil actions equal to three times the amount of monetary damages to the elder and forfeit their claims to an elder’s estate.

An Oregon law protects banks from liability when they report suspected cases of elder financial exploitation. While the law does not represent a mandatory reporting law for bank personnel, it provides protection for banking institutions and their employees when reporting suspicions of abuse.

States are also initiating programs to respond to elder financial abuse. In a March 2005 address announcing a new initiative to combat financial exploitation against the elderly in Illinois, Gov. Rod Blagojevich stated, “Our seniors have worked hard, raised their families and they deserve a peaceful and safe retirement. Unfortunately, senior citizens are preyed upon by scam artists—sometimes even family members or caregivers—who want to take away their hard earned money, their self-esteem and independence. We must do everything we can to guard the elderly from fraud and abuse and afford them the respect and security they deserve.”

The governor created a special statewide unit of investigators to provide a variety of services to seniors, including investigation
of financial abuse cases, advocacy and education. The program would enable investigators to develop liaisons with senior service providers, prosecutors, other law enforcement agencies and financial representatives to more effectively refer cases. In addition, the unit would provide educational programs for senior citizens groups and others throughout the state about the warning signs of financial abuse and fraud. Investigators would also provide support and guidance to elders throughout the investigation and prosecution process.

Meanwhile, the primary force behind Florida's battle against elder fraud is the state's senior citizens themselves. As part of the Seniors vs. Crime Project, elders serve as volunteers to educate their peers on the dangers of consumer fraud and possible warning signs. The Senior Sleuths, as they are known, also assist the attorney general's office and other law enforcement agencies to detect fraud in their communities. With the help of more than 2000 Senior Sleuths performing such tasks as checking to ensure that prescriptions are accurately filled and conducting undercover sting operations to detecting businesses using false or deceptive practices, the attorney general's office has been successful in handling more than 2000 complaints, prosecuting over 40 cases and recovering more than $3 million dollars since the program's inception.

For many states, becoming more aware of the threat of elder financial abuse represents the first step in developing innovative state solutions. While limited information exists on the exact scope of the problem at the national level, individual cases like those of the abused women in Missouri and Oregon underscore the serious threats senior face in protecting the assets on which they depend.

As the U.S. population ages, states will continue to face the challenges of elder financial abuse and exploitation. While states have already taken important steps to address this growing problem, much more remains to be done.

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