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Preventing Elder Financial Exploitation: 6 Tips from the Chicago Fed Webinar

By Chicago Fed Staff Writer

With financial scams targeting older people on the rise, the Chicago Fed brought together a group of experts to explore the issue. In addition to research on the scope and significance of the problem, participants in [the April web event](#) talked about ways to avoid—or to help others avoid—getting swindled. Here are some key pieces of advice culled from what they had to say:

1. Seek out trusted advisors, especially when making major financial decisions.

While research shows that older people are no more likely than younger ones to be scammed, it also shows that they suffer greater harm to their quality of life when scams do affect them. And one particular vulnerability for this demographic is in financial literacy that diminishes over time, said Marti DeLiema, a presenter at the event who is a gerontologist and assistant professor at the University of Minnesota's School of Social Work.

A study she shared showed the gap between people's confidence in their financial skills and their tested financial literacy growing dramatically between age 60 and 85. Confidence remained high, while literacy slipped markedly.

"This is the type of person that a scammer loves to go after," said DeLiema, who is also associate director of education at Minnesota's Center for Healthy Aging & Innovation. "It's someone who thinks that they're performing at their 'A' game, but really they're experiencing these really subtle declines in financial decision-making that can impact how they respond to a scam—without their knowledge or insight that it's happening."

Being isolated is itself another potential vulnerability, panelists said. DeLiema emphasized the importance of having a person you can rely on to tell you, "Hey, what you're talking about with that person, that sounds like a scammer." Or, "I'm concerned that there's no one to help you manage your finances as you age."

Beyond people seeking advice from trusted friends and family, there are formal mechanisms that can help, said panelist Sam Kunjukur, vice president of consumer education at the American Bankers Association. Setting up power of attorney is one, he said, and another is adding trusted contacts to financial accounts, people an institution can contact if they suspect fraud might be taking place.

2. Be aware of how scammers typically work: Avoid doing anything RIGHT NOW.

"Financial predators use social engineering," DeLiema said in her presentation slide deck (link on the [event page](#), under "Agenda"), citing research she has done on financial fraud. What that means in practice is such predators try to get the victim emotionally aroused, feeling a sense of urgency, and believing in the scammer's authority. They also, she said, try to keep their target isolated from "potential intervenors," in part by establishing a private relationship.

"So why does it work?" she asked. "When we're in a state of high emotional arousal, the information that we're hearing, the content of the solicitation message—we don't process it rationally. It doesn't go through that part of the brain where we think, 'Hmm, let's think about the risks and the benefits of making this decision.' And it's just processed based on the cues: 'Does this person seem authoritative? Do they seem trustworthy? Do they seem on my side?'"

In scams, said Kunjukur, "There's usually some indication of urgency or secrecy involved. And these should set off every alarm in every person."

Learning how scams work, he said, might help a person recognize when such methods are being deployed and thus raise an internal red flag.

3. Victims are likely to feel shame. When talking to them, tread lightly.

“Gerontology tip 101,” said panelist Peter Lichtenberg, director of Wayne State University’s Institute of Gerontology: When reaching out to someone who has been or is being scammed, “we don’t just walk in and say, ‘Hey, you’re doing the wrong thing. Stop it.’ That just doesn’t work. People close the door, change the locks.”

“That is such an important point,” said panelist Deborah Royster, assistant director of the Office for Older Americans at the U.S. Consumer Financial Protection Bureau (CFPB). “Many people don’t want to report fraud because they are embarrassed, ashamed. And some of the language that we use reinforces that. So it’s very important to be sensitive about the language we use and to also be sensitive to cultural norms around this issue as we try to help older adults who are experiencing fraud.”

4. Reach out to those who can help—and heed their warnings.

In many states, there is a developing protection ecosystem for older people, panelists said, and it is wise to take advantage of it. One example cited was in Iowa, where, beyond criminal justice system resources to prosecute swindlers, state offices offer an array of help, said panelist Andrew Hartnett, first deputy insurance commissioner in the Iowa Insurance Division, which regulates securities.

In the state’s attorney general’s office, he said, “you have the Consumer Protection section that would be more likely to see scam reports. We also then have, in the Department of Health and Human Services, several agencies. Adult Protective Services receives reports of abuse, neglect, and exploitation of dependent adults. There’s the Office of the State Long-Term Care Ombudsman that works with folks in long-term care facilities. Aging Services provides support and services to Iowans age 60 years and older.”

Michigan is another state that is paying more attention than in the past to protecting its older residents, said Lichtenberg, who is also a psychology professor at Wayne State in Detroit. In addition to what Hartnett outlined in terms of participants in the protection ecosystem, Lichtenberg said, “I’ll add two different groups. One is the increase in multidisciplinary teams”—from across agencies and institutions—“that are really trying to prevent or intervene with elder abuse cases, including financial exploitation.” Forming such teams to share best practices and try to be proactive is something “we’re really seeing... spread across the country,” he said. Additionally, banks and credit unions have been getting more involved, said Lichtenberg, noting that in 2021, Michigan put into effect the Financial Exploitation Prevention Act, which in part enhances training of and reporting by people who work in financial institutions.

And in the private sector, he added, financial advisors tend to be “passionate” about the issue of elder financial exploitation because of their often-longstanding relationships with clients.

5. Don’t always trust technology, from links in emails to caller ID.

“Criminals are using widely available technology to spoof telephone numbers, which means you can’t trust the telephone number that you see coming up on your caller ID,” said Royster, of the CFPB. “So our approach to these technologies is just go back to the basics ... for scam prevention.

“Don’t answer calls or messages that you aren’t expecting. Don’t trust your caller ID. Go to the source—when you do receive an unsolicited message, go to the source; go to the telephone number on the back of your credit card, for example. And never click on links that you receive in emails, text messages, or other social media messages without confirming that it’s from a legitimate source.”

A new category to watch out for, panelists said, is swindlers using artificial intelligence to simulate voices of loved ones or otherwise make their fraudulent approaches more persuasive.

“In other words,” said Royster, “be suspicious, be cautious, and assume that the messages you receive are fraudulent until they are proven otherwise.”

6. Arm yourself and others with information.

“The research shows that when older adults are aware of specific types of fraud, they are less likely to experience fraud,” Royster said.

She highlighted some of the comprehensive range of resources her agency, charged with protecting consumers in matters of finance, makes available online, at consumerfinance.gov/olderamericans.

Among them are [Money Smart for Older Adults](#), a tool designed to help older adults and family caregivers spot, thwart, and report financial exploitation. A [collection of resources](#) for consumers, caregivers, and financial institutions spotlights how to protect against fraud. [Another link](#) collects resources on how to respond to elder financial exploitation. Further, “the CFPB has developed recommendations for financial institutions on trusted contacts,” she said. “The recommendations that the Bureau has developed include developing relevant policies and procedures ... for staff when using trusted contacts. And we also have a guide for consumers on how to select a trusted contact.”

Another rich collection of resources for elders and people working on elder financial exploitation is at [olderadultnestegg.com](#), developed by Lichtenberg and his Institute of Gerontology colleagues. Two key tools there assess individual financial vulnerability and informed financial decision-making.

Those tools are keyed to settings such as the offices of health care providers or financial planners. “Health and wealth in older adulthood are so linked,” he said, “that we really need people to assess vulnerability and have some of these abilities to have discussions across a wide variety of venues.”

For further information

See the replay, agenda, and speaker bios from the April 3, 2024, [Chicago Fed event](#) on Preventing Elder Financial Exploitation. There is also a [preview article](#) about the event, which the Chicago Fed held as part of its goal to promote a healthy, stable, and inclusive economy and financial system for the Bank’s region and nation, where all have the opportunity to thrive.

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