

# Elder Financial Exploitation Guide

The world of investing can be both exciting and intimidating with so many options available. Elder financial exploitation is a growing concern, and it's important to take steps to protect yourself and your loved ones. Staying informed and taking precautions to protect your assets and personal information can reduce the risk of falling in with the wrong financial advisor. In this guide, we'll discuss useful tips for preventing elder financial exploitation, and the rules that are in place to protect you.

**W** THE WHITE LAW GROUP  
SECURITIES FRAUD ATTORNEYS

## ELDER FINANCIAL EXPLOITATION GUIDE

### What is Elder Financial Exploitation?

Elder financial exploitation is a type of financial abuse that targets older adults. It involves illegal or improper use of an elder person's money, property, or assets.


#### RED FLAGS

- Unusual or undefined Financial Transactions
- Missing money or property
- Types of Transactions:
- Unusual or Unexpected Changes to Accounts
- New Account Access
- Larger Frivolous Purchases


#### How to Avoid Elder Financial Exploitation?

- Be Cautious
- Stay Connected
- Don't be Pressured
- Protect your Assets
- Report any Suspicious Activity

#### FACTS YOU SHOULD KNOW



By 2019, older Americans were being financially abused by family members, strangers and businesses from **\$3 billion to \$37 billion** per year. Most likely those numbers are vastly under reported.



## What is Elder Financial Exploitation?

Elder financial exploitation is a type of financial abuse that targets older adults. It involves illegal or improper use of an elder person's money, property, or assets. If financial exploitation is perpetrated by a broker or financial advisor, those actions may include manipulating or deceiving older adults to gain access to their money, or making inappropriate investments that serve their own interests. In 2011, Investment News reported older Americans were being financially abused by family members, strangers, and businesses to the tune of \$2.9 billion a year. In 2019, the numbers ranged from \$3 billion to \$37 billion per year. Most likely those numbers are vastly under reported. According to National Adult Protective Services Association (NAPSA), only 1 in 44 cases of

financial abuse ever comes to light. Other data compiled by the [U.S. Consumer Financial Protection Bureau](#) show that between 2013 and 2017, those over age 70 lost an average of \$41,800 to elder financial exploitation.

## Warning Signs of Elder Financial Exploitation

With in-depth access to a client's financial activity, financial advisors have the unique opportunity to help protect their elderly customers from people attempting to defraud them. There are important warning signs to pay attention to that could prevent elder financial exploitation. Ultimately, the earlier you detect financial fraud, the more likely you are to prevent further harm and protect the older adults financial well-being. The following is a guide of warning signs you should be looking for.

1. **Unusual or undefined Financial Transactions:** This includes large withdrawals or transfers of money, changes in an older adults' financial habits or behavior, such as suddenly becoming secretive about money or being unable to pay bills.
2. **Missing money or property:** This can include jewelry, artwork, antiques, or other value items that are unaccounted for. Missing valuables can be a sign that someone is stealing from an older adult or that they are being coerced or threatened into giving away possessions.
3. **Types of Transactions:** Sudden changes such as wiring money out of their account or transferring funds using online banking should be investigated. Advisors should take note of any outgoing wires and large ATM withdrawals.
4. **Unusual or Unexpected Changes to Accounts:** Changes to wills, power of attorney, or other legal documents. This can include changes to beneficiaries, the addition of new beneficiaries or changes to the distribution of assets.
5. **Account Access:** If a new person becomes involved in the client's life, in a romantic capacity or otherwise this could be a warning sign, especially if the new individuals are suddenly given access to the customer's accounts.
6. **Larger Frivolous Purchases:** Purchases of expensive items such as property, cars, or jewelry. In some cases, a family member, or scammers may be pressuring the older adult to make these decisions to gain control over their assets, receive a commission or kickback.

For example, according to the Attorney General Gurbir S. Grewal and the New Jersey Bureau of Securities on February 1, of 2018 [Michael A. Siegel and his firm NJLI Advisors LLC](#) were fined \$100,000 in civil monetary penalties for allegedly defrauding an elderly couple of at least \$280,000. The Bureau revoked Siegel's registration. According to the press announcement, Siegel befriended the elderly couple, who were in their 80s, while they were dealing with a significant health issue within the family. Shortly after that family member had passed away, Siegel reportedly coerced the elderly couple to transfer their brokerage accounts to a broker-dealer with whom Siegel was associated.

Another example of elder financial exploitation was in September of 2017 when according to a press release, the [Securities and Exchange Commission charged Leon Vaccarelli](#) of Waterbury,

Connecticut, and his company with allegedly fraudulently enticing several elderly customers to invest with him and then spending their money on himself. Vaccarelli allegedly deposited customer funds into his personal and business bank accounts instead of investing the customers' money in such things as conventional brokerage accounts and separately managed accounts, as promised. It was then reported that Vaccarelli commingled the funds with his own money and used them for his own purposes, and in some instances, he purportedly used customer funds to pay returns to earlier investors.

## How to Avoid Elder Financial Exploitation?

1. **Be cautious:** Don't give out your personal information to anyone you don't know or trust. Be suspicious of unsolicited phone calls, emails, or letters. Keep in mind to not click on links or download attachments if they're from someone you do not know. If you receive a suspicious phone call, hang up immediately and contact a trusted friend or family member.
2. **Protect your assets:** Consider having a trusted family member or friend help you manage your finances. Do not give anyone access to your bank accounts or credit cards unless you trust them completely.
3. **Don't be pressured:** Be wary of anyone who tries to pressure you into making financial decisions. Take your time and seek advice from a trusted family member or friend.
4. **Stay Connected:** Isolation can make you more vulnerable to scams. Stay connected with friends and family and participate in community activities.
5. **Report any suspicious activity:** If you suspect that you or a loved one has been the victim of financial exploitation, report it to the authorities immediately.

## What is FINRA?

[Financial Industry Regulatory Authority \(FINRA\)](#) is a self-regulator authorized by the United States Congress to oversee broker-dealer firms and protect investors. FINRA oversees more than 624,000 brokers across the country—and analyze billions of daily market events. They continually use innovative AI and machine learning technologies to keep a close eye on the market and provide essential support to investors, regulators, policymakers, and other stakeholders. FINRA's mission is to protect investors and maintain market integrity by ensuring broker dealers and other financial firms operate in a fair and transparent manner. To achieve this goal, FINRA provides a variety of regulatory services, including registration and licensing of firms and individuals, market surveillance and enforcement of securities laws, and educational trainings for investors and industry professionals. They also maintain a database of information about firms and individuals in the securities industry. This information is available to the public through FINRA's Brokercheck website, background and qualifications of brokers and financial individuals. This role of FINRA and their work is critical to maintaining the integrity of the securities industry, especially keeping people safe and preventing elder financial exploitation.

## **FINRA Arbitration and Mediation**

Arbitration and mediation are two distinct ways of resolving securities and employment disputes between and among investors, brokerage firms and individual brokers, and offer a prompt and inexpensive way of resolving issues. **Arbitration** is a formal alternative to litigation in which two or more parties select a neutral third party, called an arbitrator, to resolve a dispute. The arbitrator's decision, called an award, is final and binding. FINRA arbitrators are independent and are chosen by the parties to issue final, binding decisions. Continually, **Mediation** offers a flexible alternative to arbitration, and can be initiated at any time before arbitration commences and even during an arbitration case before it concludes. It is an informal process in which a trained, impartial mediator facilitates negotiations between disputing parties, helping them find a mutually acceptable solution.

## **FINRA Rule 2165: Financial Advisors play an Essential Role**

As the keeper of your money, the first line of defense against elder financial exploitation could be your financial advisor. The Senior Safe Act was passed into law in 2018, calling on financial institutions to train their employees on how to detect suspicious activity that might indicate elder abuse. However, some financial advisors still may not feel comfortable identifying if a client is losing mental capacity or being exploited by a family member or friend. Fortunately, FINRA Rule 2165, implemented in 2018, provides guidelines for its members to respond to situations in which they believe that financial exploitation may be an issue. The Financial Exploitation of Specified Adults rule (FINRA rule 2165) permits a member that reasonably believes that financial exploitation is possible to place a temporary hold on the disbursement of funds or securities from the account of a "specified adult" customer. Specified adults include a natural person age 65 and older or a natural person age 18 and older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests. FINRA studies have reportedly shown that people tend to make poorer financial decisions as they get older. They are often lonely and more willing to talk to strangers, which can ultimately lead to trusting the wrong people.

## **Hiring a FINRA Attorney**

When disputes arise between investors and securities firms or brokers, they may be required to resolve their differences through [FINRA arbitration](#). FINRA arbitration is a process in which an impartial arbitrator or panel of arbitrators is appointed to hear the dispute and render a decision. The White Law Group helps clients navigate the arbitration process and represent their interests throughout the proceedings. This can include preparing and filing the initial claim, conducting discovery, presenting evidence and arguments at the hearing, and appealing the decision if necessary. In addition to their knowledge of FINRA rules and procedures, the FINRA attorneys at

the White Law Group also have experience in securities law and litigation. They can provide valuable guidance to clients on the strengths and weaknesses of their case, the likelihood of success, and the potential risks and rewards of pursuing arbitration.

If you have an investment related dispute, the securities attorneys at the White Law Group may be able to help you. The White Law Group, LLC is a national securities fraud, securities arbitration, investor protection, and securities regulation/compliance law firm dedicated to helping investors in claims in all 50 states against their financial professional or brokerage firm. Since the firm launched in 2010, it has handled over 700 FINRA arbitration cases. The firm has offices in Seattle, Washington and Chicago, Illinois and reviews securities cases across the country.

**If you or someone you know has been the victim of elder financial fraud, the securities attorneys of The White Law Group may be able to help. To speak with a securities attorney, please call offices at (888)637-5510.**