

# Safe Investing for Seniors

Recognizing fraud and financial elder abuse



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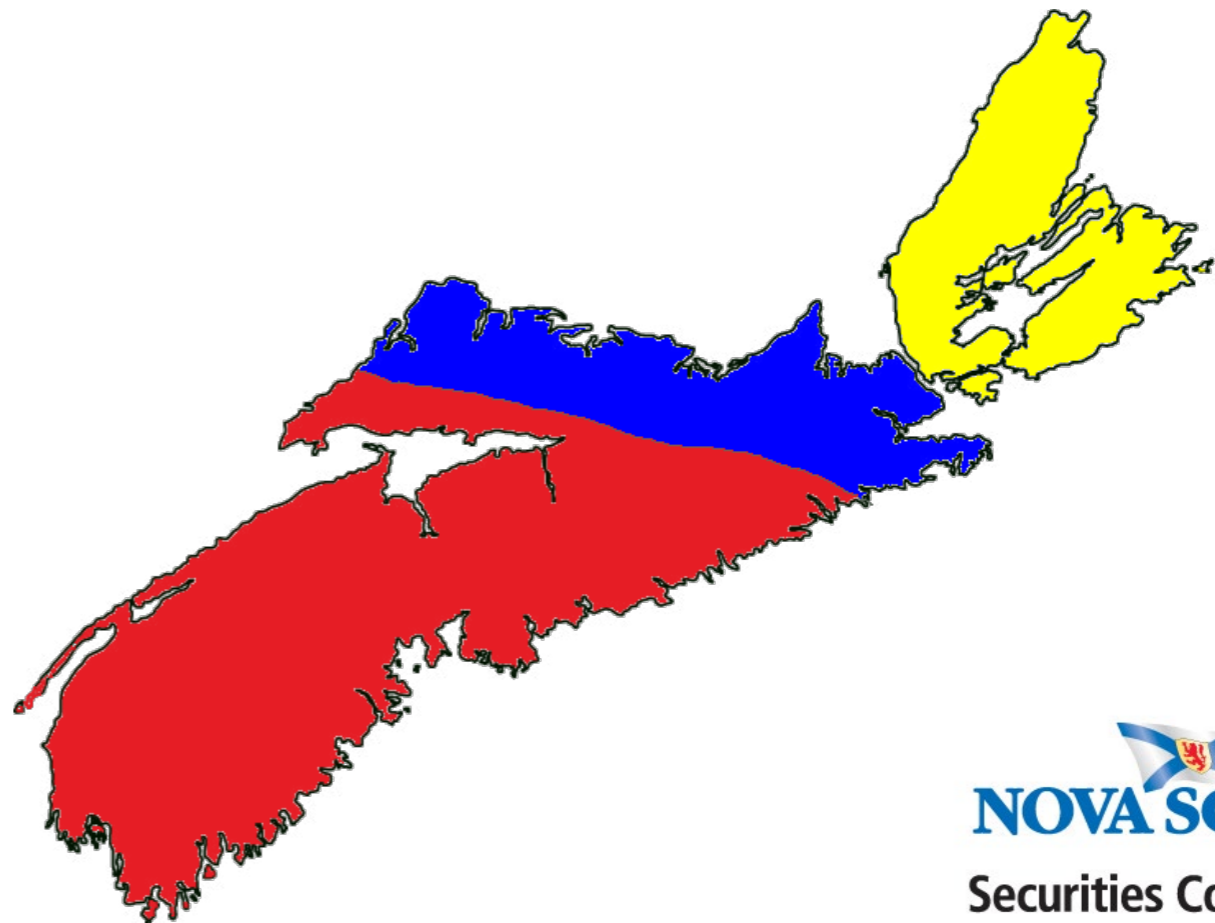
# Fraudsters targeting seniors

Nova Scotia's population is getting older. In the last Canadian Census taken in 2016, the number of Nova Scotians over 65 eclipsed those 14 and under for the first time ever. As Nova Scotia's population gets older, more people are thinking about, and getting closer to retirement, and many of them have built up a sizable investment portfolio over their lifetime. This has led to older adults in Nova Scotia, and throughout Canada, being targeted by investment fraud and scams. The best way to avoid fraud and scams and to ensure you are investing your money safely and responsibly is to educate yourself.



## Population of Nova Scotia:

0-14	=	133,825	=	14.5%
15-64	=	605,950	=	65.6%
65+	=	183,820	=	19.9%



# Common frauds and the red flags of investment fraud

Seniors are targeted because they routinely have at least a bit of a nest egg squirreled away that scam artists can prey on. They also prey on many older adults' fears that they won't have enough money to retire, or upon their dreams of a better retirement to get them interested in "the next big thing" or "can't miss investment." Knowing what frauds are most common and how to recognize them is one way for older adults to protect themselves and their money.



## Affinity Fraud

Affinity Fraud is any investment scam that preys upon the members of an identifiable group. This could be a religious or ethnic community, a group of professionals, or the members of a club or association. The fraudsters are usually members of the group or successfully infiltrate the group, gaining their trust and confidence. They routinely enlist the help of an unwitting respected member of the same community or group to make their fraudulent investment appear legitimate and solid.

## Pump and Dump Scams

In a pump and dump, scammers choose a low-valued stock, and find ways to promote it as the next big thing. As investors begin to buy shares the value of the stock gets higher and higher. What investors don't know is that the scammers already owned large amounts of the stock before the massive buy-in from the public. After scammers are successful at pumping up the stock value, it's time for the dump. The fraudsters will now sell their large block of stocks for a considerable profit. This large-block sale generally causes the value of the stock to plummet leaving the unwitting investors with worthless stock valued well below their purchase price.

## Boiler Rooms

Boiler rooms steal money through an onslaught of unsolicited phone calls, or in the Internet age, emails and text messages. They promote shares in companies that they say are soon to be listed on a major stock exchange. Companies in sectors receiving a lot of buzz in the news are often promoted, an example being companies in the '.com' boom in the late 90s. Investors are promised that, once listed, the shares will sky rocket in value.

The catch is that these companies don't exist. Don't be fooled by company websites that include news releases, phone numbers, office addresses and even brochures and stationary. Boiler rooms go to great lengths to make things look convincing. Everything seems legitimate, but it's all completely fake. By the time the unsuspecting investor realizes this, their money is long gone.

## Forex Scams

Forex is the word people use to describe foreign exchange – another legitimate type of investment that is manipulated by fraudsters. Fraudsters usually find their victims through ads placed in newspaper classifieds, on radio or television, or on the Internet. The ads appear to be professional and legitimate and offer investors the opportunity to invest in foreign exchange, using a fictitious ‘great track record,’ and the promise of high returns.

Instead what usually happens is your money is not invested in anything. It is stolen by the fraudster and you never see it again. Even if your money is invested, the high risk of those investments is not communicated, presenting a very serious risk that some or all of your money will be lost.

## Binary Options

Binary options are like an “all or nothing” wager. You bet that an asset (currency, shares, etc.) will rise or fall in value within a specific amount of time, sometimes as limited as a few minutes. At the expiry of that time, you either profit a pre-determined amount or you lose 100% of your initial investment. Fraudulent binary options scams have been run through online trading platforms.

Most were fake and trades never took place. Scammers would allow investors to make a profit off their first trades to hook them into making larger deposits. Once they had more money the trades suddenly became money-losers, or often the scammers would just disappear with the money.

## Ponzi Schemes

Someone running a Ponzi scheme will promise very high returns for low risk. And, initially, they'll deliver those high returns. However, the catch is there is no investment and none of the investor's money is being invested. Instead, they're being paid with portions of their own money, or money invested by other investors. The fraudster pockets the rest to spend on what is usually an extravagant lifestyle. Once new money stops coming in there is no more money to pay investors and the Ponzi scheme collapses.

## Recovery Scams

Scammers will try to revictimize someone that has already lost money to investment fraud by offering them a way to recover some of, or even all their lost money. All they need to do is pay a recovery fee. If they pay the fee, they'll simply be losing more money to the scammer.



# Red flags of investment fraud

To avoid falling victim to investment fraud know how to recognize the red flags of investment fraud

- You were promised high returns for low risk.
- You must act now and are given no time to consider the risks of the investment. Many fraudsters use high-pressure sales tactics and incite your fear of missing out by tossing around words like, “once in a lifetime opportunity,” and “one-time offer.”
- You were given “insider” or “secret” information. Can you corroborate this secret information? If you are being given insider information on an investment it may be illegal tipping.
- Is the investment legitimate? Does the company, fund or whatever you are investing in even exist? Make sure you can find corroborating evidence from a credible source.
- You were required to provide payment directly to the investment seller. Paying money or writing out a cheque directly to an investment seller is a major red flag.





# Considerations to make when investing

Whenever you're considering an investment always....

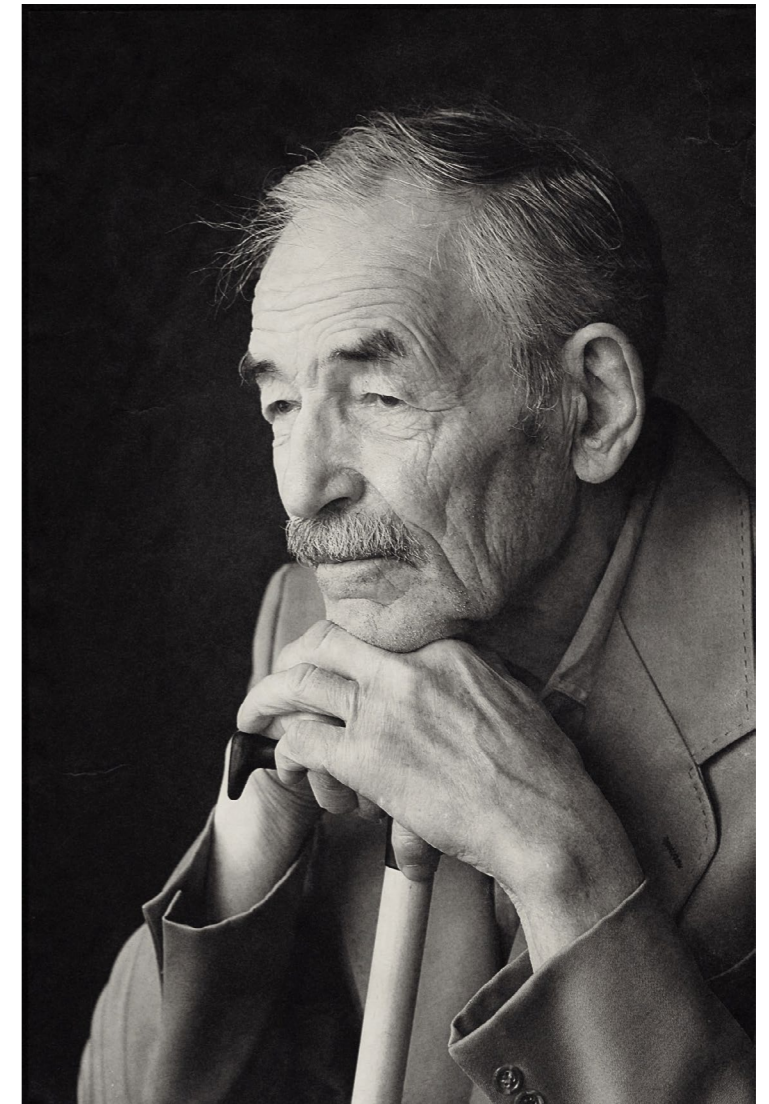
...ask questions. Make sure all questions and doubts you have are answered.

...be wary of high-pressure sales tactics.

...take as much time as you need to make a decision.

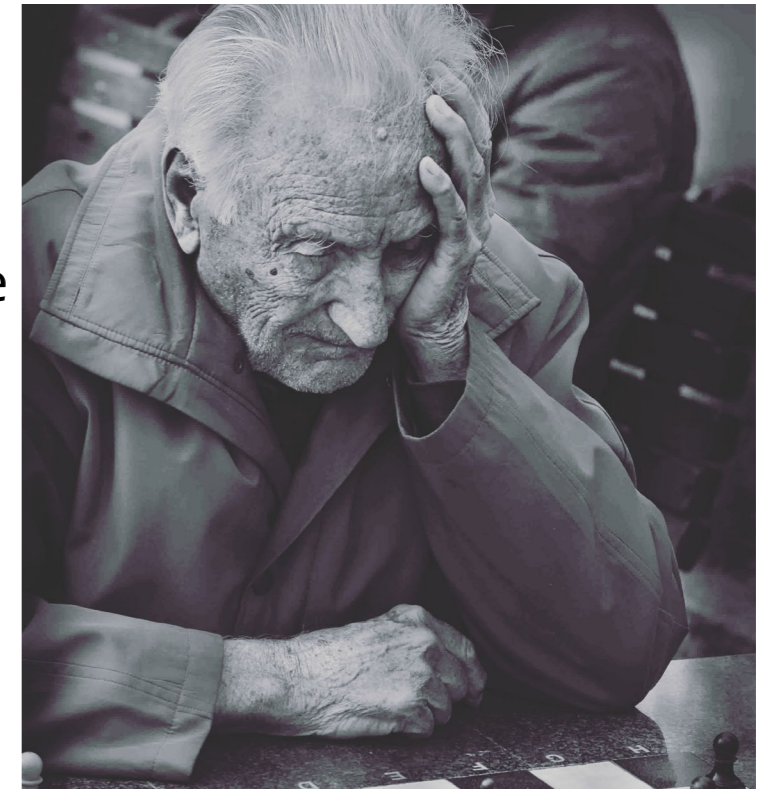
...fully understand any documents you are signing.

...check registration. Anyone dealing in investments must be registered with their local securities regulator.



# Vulnerability to financial elder abuse

As Nova Scotia's population becomes older, elder financial abuse is becoming more common. Investment fraud and scams perpetrated upon older adults is a common form of financial elder abuse. Sadly, even more common are advisers, family, and friends of older people engaging in acts of financial elder abuse.



## **What are some of the red flags that someone may be vulnerable to financial abuse?**

- They are socially isolated, depressed or lonely.
- They have experienced a change in their ability for self-care.
- They depend on someone to provide everyday care.
- They have given power of attorney to someone else to manage their finances.
- They are uncomfortable with the person providing care.
- They have just lost a loved one.
- They have cognitive issues or other health issues.

# Warning signs of financial elder abuse

There are also signs and warnings that an older adult has fallen victim to financial elder abuse.

- Mail and unpaid bills are piling up.
- They are fearful, distressed or depressed.
- They were asked to sign blank documents by an adviser, family member, friend, or someone with discretionary authority over the accounts.
- They have unopened account statements, or missing account statements or investment documentation.
- They don't understand or know about financial decisions that someone else is making for them.
- Family members or friends are pressuring them to give them money.
- Someone has accessed their account and money seems to be missing.
- They are unable to get in touch with the adviser or person who has sold them an investment.



# Start the conversation

If you believe you or a loved one is the victim of financial elder abuse what should you do? Many victims of financial elder abuse try to hide what has happened because they feel ashamed, or they feel they will lose their independence and ability to make their own decisions if someone learns what has happened. It is recommended that if you believe someone is the victim of financial elder abuse you should approach the subject calmly and without judgement.



## How to start the conversation

I'm worried that you may be victim of financial elder abuse. May I ask you a few questions about your finances?



- Who manages your finances? How has this been going lately?
- Do you run out of money at the end of the month?
- Do you question or regret any recent financial decisions?
- Have you given power of attorney to anyone? Do you know what they are doing with your money?
- Have you noticed any money missing from your accounts?
- Has anyone asked you for money? Has anyone approached you with questionable investment opportunities?

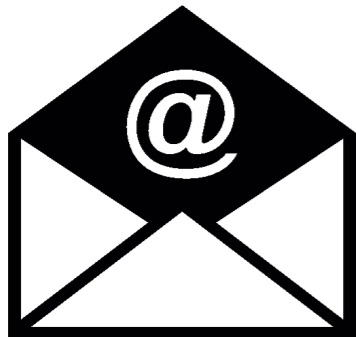
# Get help

If you think you or someone you care about is the victim of financial abuse and or investment fraud get help right away. Contact your financial institutions and adviser to check on your accounts and get a history of recent transactions and balances. If you think something illicit or illegal has occurred contact your local securities regulator and your local police. Explain everything that has happened. No detail is too small. They will be able to advise you on what your options are and what you need to do next.





**<http://nssc.novascotia.ca>**



**NSSCinquiries@novascotia.ca**



**@NSSCommission**



**1-855-424-2499**