

Financial Threats to Senior Investors

There are a number of financial threats specifically targeting senior investors. The following is a list of these scams and a description of each. Please note this list is not all inclusive.

Affinity Fraud

In recent years this fraud has become more popular and is typically in person. A con artist claims to be a member of the same ethnic, religious, career or community based group as his victims. The fraudster lulls prominent members with an investment opportunity. The fraudster then gives the unsuspecting prominent members a quick return on their money. As a result, the fraudster is able to gain the trust of other members who then wish to invest their money with the fraudster. He uses this to his advantage to swindle their money.

Grandparent Scams

Seniors are receiving phone calls from individuals who are purporting to be their grandchild in need of money. This tends to increase during the holidays, specifically spring break. The following is a sample of how the conversation might go:

- Fraudster: “Hi Grandpa, it’s me”
- Senior: the grandparent typically responds with the grandchild’s name: “Is that you, John?”
- Fraudster: “Yes, it’s John”. “John” will then tell the grandparent that they need money right away and don’t want their Mom/Dad to know (he’s lost his wallet, has been in an accident, he is in jail and needs bond money, etc.).
- Senior: The grandparent expresses that they want to help.
- Fraudster: “John” gives their grandparent directions how to wire money and it will usually be somewhere that requires no identification in order to collect the money.

Home Improvement Scams

Door to door sales person comes to an elderly client’s home and claims that they need a new roof, fence, or driveway. The sales person will use high pressure tactics to get the client to sign a contract and provide an upfront deposit. The sales person will promise to come back to start and complete the job but never returns.

IRS Imposter Scams

Seniors are receiving phone calls from someone purporting to be with the IRS. The caller states that back taxes are owed and if they aren’t paid, that the IRS will be suing, arresting, deporting, or even revoking the senior’s driver’s license if they are not paid immediately. The caller is instructing the senior to put the amount owed on a prepaid debit card and to give them the card numbers for their records.

The IRS will not call individuals who truly owe back taxes. The IRS communicates these matters through the mail. They will also not request payment of those back taxes using a prepaid debit card or wire transfer to them. In addition, they would never ask for a credit card over the phone.

Note: many times caller IDs are spoofed to make it look like the call is coming from Washington, DC area. This does not make the call legitimate.

“Microcap” Fraud

A “microcap” stock is a low-priced stock issued by the smallest of companies. “Microcap” stocks apply to companies that have low or “micro” capitalizations which refer to the total value of the company’s stock. They tend to be low priced and trade in low volumes. “Microcap” stocks trade in the over-the-counter (OTC) market and not on a National Exchange.

Here’s how “microcap” fraud is committed. A stock promoter contacts a client either through direct mail, phone, or other social media outlets to promote a particular stock. The promoter pitches that the stock has the potential for a high rate of return. The amount of public information available about the company is very limited thus making it more susceptible to market manipulation. The individual purchases the stock, along with many other unsuspecting investors. The volume of trading increases along with the share price of the company’s stock; this is called “pumping” the stock. The fraudsters then begin selling off their shares at the elevated price; this is referred to as “dumping” the stock. It’s ultimately discovered that the stock is tied to a company that has no real business operation and was being sold as part of a “pump and dump” scheme to scam investors of their money. Oftentimes, senior investors are targets for “Microcap Fraud” because they generally have access to cash or other assets that are a valuable target opportunity. Additionally, senior investors will often not report a crime out of shame or fear that they may be viewed as being incompetent, especially in handling their financial affairs.

Source: SEC Investor Publications “Microcap Stock – A Guide for Investors”

Sweepstakes/Lottery Scams

Seniors are receiving communications either by letter, phone, or email claiming that they have won a sweepstakes or the lottery. In order to collect their winnings they must wire money to cover the taxes and/or administrative fees associated with the winnings. Oftentimes, these seniors don’t even play any sweepstakes or the lottery.

Note: it is a federal offense for a US Citizen to participate in a foreign lottery.

Sweetheart Scams

This scam can start as a result of an online dating “friendship” or other social media connection. Some of the signs include:

- The new “best” friend is struggling financially and needs a short term loan.
- The new “boyfriend/girlfriend” needs money to come for a visit
- Social media friend needs money for their grandchild’s operation or they will die.
- Scammers have free time to talk and listen to the client who ultimately becomes a victim

Tech Support Scams

Seniors are receiving phone calls from someone who indicates they are a computer technician. The caller may reference a well-known company such as Microsoft, or maybe even the senior’s internet provider. The caller then tells the senior that there are either viruses or malware on their computer and that they can assist the senior in removing these items if remote access is granted to them. In addition, the caller may request payment for their services.

Telephone Scams

Seniors are receiving calls to their home/cell phones with various claims requiring clients to provide personal confidential information in order to receive an “offer” or to avoid a “penalty” for unpaid taxes/bills.

- Limited-time offers or “Guaranteed offers”
- Unpaid Social Security Taxes
- Penalty for missed jury duty

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