

Red Flags of Financial Exploitation

Various organizations have identified red flag, or indicators, associated with financial exploitation. Red Flags are only indicators of financial exploitation. Additional work will need to be done to determine if is actually occurring.

The red flags discussed below are grouped for organizational purposes. Not all examples under each group will be evident. Additionally, many red flags may be applicable to more than one situation. For example, some red flags listed in the “facility” section also apply when the victim resides in the community.

Bank records, investment records, or records from the person with financial oversight

- **Deposits:**
 - Sources of income that changed or stopped.
 - Expected income that wasn’t deposited into the victim’s account.
 - Deposits that could indicate liquidation of other assets.
 - Money deposited into the account by the alleged perpetrator.

- **Withdrawals:**
 - Withdrawals from a previously inactive account.
 - Large withdrawals from a new joint account or after the addition of a new authorized signer.¹
 - Payments to a caregiver or family member above the agreed amount (or frequency).
 - Expenses that are unusual for the victim (e.g., automotive expenses when the victim does not own or lease a car).
 - Purchases made from vendors that are unusual for the victim (e.g., hotel expenses when the victim rarely leave the home).
 - New items or services being purchased that weren’t typically purchased in the past by the victim.
 - Significant increases in monthly expenses paid. This could indicate that expenses for someone other than – or in addition to - the victim are being paid.

¹ What constitutes a large withdrawal is based upon the normal and customary expenditures for the older or vulnerable adult whose records you are reviewing.

- Checks written to unusual recipients (e.g., “cash”, salesmen, telemarketers).
- Multiple small dollar checks of the same or similar amounts (e.g., \$19.99, \$49.99). This could be indicative of telemarketing or charity scams.
- A set of “out-of-sync” check numbers. Someone may have stolen those checks and used them for their personal use.
- ATM/ debit card withdrawals or purchases that are repetitive over a short period of time.
- ATM / debit cards withdrawals or purchases that are inconsistent with prior usage patterns e.g., late night or very early morning withdrawals.
- ATM / debit card usage outside victim’s geographical region or normal area.
- Uncharacteristic use of wire transfers.
- Purchases made by previously unused payment methods such as ATM/ debit cards, online payments, ACH payments, PayPal, Counter withdrawals, bank / cashier checks, and demand drafts. Demand drafts are similar to a check but do not require a signature. These could indicate a scam against the victim.
- Excessive online purchases, or any online purchase if victim does not own a computer / smartphone.
- Uncharacteristic overdrawn bank accounts or low balances.

Credit cards

- Cash advances or check withdrawals with no prior history of such use.
- Large credit card transactions and/or unusual increase in credit card debt.
- Abrupt increase in credit card activity.
- Expenses that are unusual for the victim.
- Purchases made from vendors that are unusual for the victim.
- Items or services being purchased that weren’t typically purchased in the past by the victim.
- Purchases in locations that are unusual for the victim.

Changes to accounts and/or documentation

- Recent changes or additions of authorized signers on a victim's financial institution signature card.
- Statements are being sent to an address other than the victim's home.
- Victim has no knowledge of a newly- issued ATM, debit or credit card.
- Abrupt changes to, or confusion regarding changes in, financial documents such as power of attorney, account beneficiaries, wills and trusts, property titles, deeds and other ownership documents.
- Sudden unexplained transfers of assets, particularly real property.
- Sudden appearance of previously uninvolved relatives claiming their rights to a victim's affairs and possessions.
- Discovery of a victim's signature being forged for financial transactions or for the titles of their possessions.
- Refinance of the victim's property, particularly with significant cash withdrawal or with the addition of new owners on the deed and, most particularly, without the new owners shown as co-borrowers on the loan.
- Closed accounts that incurred a penalty i.e. early CD closure.

Changes in appearance or demeanor

- Victim does not appear to have control over or access to their money, bank statements, etc.
- Victim has a companion / family member who seems to be "calling the shots".
- Change in the victim's physical or mental appearance. For example, the victim may appear uncharacteristically disheveled, confused or forgetful.
- Victim acknowledges providing personal or account information to someone via the phone or email.
- Excitement about winning a sweepstakes or lottery or a deal that seems "too good to be true."
- Allegations from a victim or relative regarding missing funds, stolen or misplaced credit or debit cards, checkbook, etc.
- Lack of amenities (food, medical care, clothing, medications, etc.) that the person could normally afford.
- Indications that the victim is being isolated and controlled such as fewer outings or difficult for family to visit.
- The victim is prevented from speaking for themselves, or the companion is unwilling to leave the older person alone when discussing financial matters.
- The victim seems afraid, anxious, or overly submissive toward the person who controls the victim's finances.

When someone manages the victim's finances

This section applies to family members, guardians, power of attorneys, professional financial managers, etc. For simplicity, the term “fiduciary” will be used to represent the person handling the victim's finances.²

- There have been unusual transactions: real estate, gift cards, vehicles, credit cards, vacations, personal service contracts.
- Large amounts or frequent amounts of cash are withdrawn, sometimes recorded as “miscellaneous” or “incidentals” instead of cash.
- Fees or expenses charged to the victim do not fully detail date, tasks performed and benefit to victim.
- Transferring the victim's property for the fiduciary's benefit.
- Receiving payments from the victim when it hasn't been authorized by the court, power of attorney document, or the victim.
- The fiduciary uses or borrows property for personal benefit without authorization.
- The fiduciary is overly secretive about the victim's finances.
- Fiduciary makes decisions that are not in the victim's best interest.
- Accountings are amended, inaccurate, unorganized or untimely submitted.
- Items are missing from completed inventories.
- There is a lack of supporting documentation, especially proof of payment and what the benefit is to the victim.
- The fiduciary is unemployed or underemployed.
- The fiduciary is having personal financial difficulties.
- The fiduciary is living a lavish lifestyle.
- The fiduciary is or has been suspended, discharged, fired, or quits.
- The fiduciary has been subject of an investigation or disciplinary action related to financial oversight.

When the victim resides in a facility

(Note: Some of these apply when the victim resides in the community.)

- **Things a victim may say or staff may observe:**
 - The victim, regardless of cognitive impairment, complains or reports that someone is misusing or stealing their money or property.
 - The victim reports missing a checkbook, credit card, or important papers.
 - The victim is agitated or distraught prior to or after someone visits or takes them out of the facility.
 - The victim becomes secretive and suddenly starts hiding possessions or hoarding papers.

² A fiduciary is a person to whom property or power is entrusted for the benefit of another.

- **Things observable in or about a victim's room or apartment**
 - Disappearance of possessions
 - Replacement of possessions in victim's room with those of lesser value
 - Victim lacks basics (e.g. underwear) and personal needs account has been depleted
 - Blank deposit slips or withdrawal forms in conspicuous places for easy taking
 - Missing or unaccounted for medications

- **Family dynamics and other observations when the victim is with visitors**
 - Observing/hearing a victim pressured to make a decision or sign a document "now".
 - Observing/hearing a victim being threatened by family or other visitor that unless the victim agrees to or signs a document, the visitor will stop taking care of the victim.
 - "Chaperoning" – alleged perpetrator lets others visit only when he/she is present and insists on speaking for the victim.
 - New acquaintance showing intense affection for victim, isolating them from others.
 - Previously uninvolved person(s) claim authority to manage victim's care and/or finances but does not provide documentation.
 - Family member or fiduciary declines or pressures victim to decline prescribed treatment(s) on the basis of cost, overriding the victim's wishes.
 - Family member or fiduciary avoids care plan meetings or fails to return calls from facility staff.
 - Known gambling, drug or alcohol problem of victim, family member, fiduciary or visitor.
 - Conflicts concerning finances between victim's adult children or others with close relationships to the victim.

- **Billing issues**
 - Unpaid facility bills
 - Unpaid pharmacy bills
 - Stalling or broken promises from person handling victim's money
 - Abrupt or repeated changes in responsibility for paying victim's bills
 - Bills paid in cash
 - Communication from a family member, friend, fiduciary or partner that he or she plans to move the victim after questions arise about suspected financial exploitation

- **Power of attorney matters**
 - Power of attorney fails to provide necessary documentation.
 - Multiple powers of attorneys in conflict over responsibility to pay the facility bill.
 - Victim who appears to lack decision-making capacity signs new power of attorney document.

- **Checks and imbalances**
 - Checks or other documents signed/dated when victim is no longer able to write
 - Suspicious signatures (e.g. many versions of a victim's signature or one that was shaky is suddenly firm or vice versa)
 - Victim's checkbook or check register shows checks made out to "cash" frequently and/or check numbers out of sequence
 - Telephone card or telephone bill fees for calls not made by the victim or otherwise unauthorized by the victim (called "cramming")
 - Credit card charges for items not purchased by the resident
 - Erratic use of personal needs allowance by family member or fiduciary
 - Gifts (either frequently or costly) to staff or volunteers
 - Sales of valuables to facility staff or volunteers.

Resources:

BITS, the Technology Policy Division of the Financial Services Roundtable, *Red Flags of Financial Exploitation*, <<https://verafin.com/2015/04/28-red-flags-for-elder-financial-abuse>> last accessed April 24, 2019.

Clerk and Comptroller for Palm Beach County, Florida, *Guardianship Fraud & Financial Exploitation: 25 Red Flags*, <<https://www.flcourts.org/content/download/404563/3469682/guardianship-fraud-hotline-25-red-flags.pdf>> last accessed April 24, 2019.

Consumer Financial Protection Bureau, *Protecting residents from financial exploitation: A manual for assisted living and nursing facilities*, <https://files.consumerfinance.gov/f/201406_cfpb_guide_protecting-residents-from-financial-exploitation.pdf> last accessed April 24, 2019.

Guarding the Guardians: Red Flags of Guardian Financial Abuse, <<http://serveourseniors.org/about/investors/red-flags-guardian-financial-abuse>> last accessed April 24, 2019.

Securities and Exchange Commission's Office of Compliance Inspections and Examinations, North American Securities Administrators Association, and Financial Industry Regulatory Authority; *Protecting Senior Investors: Compliance, Supervisory And Other Practices Used By Financial Services Firms In Serving Senior Investors*, September 22, 2008, <<https://www.sec.gov/spotlight/seniors/seniorspracticesreport092208.pdf>> last accessed April 24, 2019.