

SAIF 2nd Edition

Seniors Against Investment Fraud

Protect Yourself from Fraud

The SAIF Program

The California Department of Corporations' Seniors Against Investment Fraud (SAIF) program was established in July 2001. SAIF alerts and educates Californians over the age of 50 about financial and investment fraud, scams, and unscrupulous sales practices that specifically target seniors.

Educated consumers are less likely to fall victim to scams. SAIF empowers seniors by providing valuable information and resources so they can make well-informed financial decisions.

The SAIF message is disseminated through seminars and presentations at senior centers and other locations where seniors gather. This SAIF booklet is distributed at all SAIF presentations. It includes information about safeguarding your personal information, annuities, reverse mortgages, end-of-life paperwork and other important topics. This booklet also contains a detailed resource guide.

SAIF has reached hundreds of thousands of California seniors, and has saved them millions of dollars.

SAIF SAVES

If SAIF has helped you make an informed investment or other financial decision, or has helped you avoid being scammed, please let us know. E-mail us at saif saves@corp.ca.gov or call our toll-free number 1-866-ASK-CORP. Your story is valuable to us because it lets us know the SAIF program is working.

Common Investment Scams

Seniors are prime targets for investment scams and fraud because they often have a "nest egg," own their home, have excellent credit, and are perceived as open and trusting. Check with the **California Department of Corporations** to verify the legitimacy of salespeople and companies *before you invest* (see page 23). If you believe you have been victimized, immediately call local law enforcement and contact the **California Department of Corporations** to determine if you should also file a formal complaint.

Affinity Marketing and Affinity Fraud

Affinity consists of mutual trust, friendship, and sympathy among people who share similar religious beliefs, ethnic background, language, culture, age, profession, or other characteristics. Don't automatically trust salespeople because they appear to share your background or interests, or advertise in your favorite magazines. Certain salespeople are even hired specifically to gain the trust of target groups. Once a salesperson gains your trust, he/she then promotes products or services that may be inappropriate for you, or worse, fraudulent.

Part of what makes **affinity fraud** so dangerous is the snowball effect. Once a group member or a respected community leader personally invests in a service or product, word spreads quickly, and more people come to trust the salesperson and decide that the product or investment is legitimate and worthwhile, even when it is not. Affinity fraud is typically perpetrated on a large scale, resulting in a devastated community and big payoffs for scamsters (until they get caught). Unfortunately, due to shame and embarrassment, affinity fraud is often not reported to the appropriate authorities.

Bait and Switch Schemes

Be wary of enticing financial promises or spectacular profits that sound too good to be true, especially if a personal visit is required. A salesperson may switch paperwork or try to persuade you to make a different investment—changes likely to be unsuitable and/or provide large commissions for the salesperson. Read everything before you sign. Similar bait and switch tactics may also occur in real estate financing, car purchases, personal loans, or other financial agreements.

Bogus Credentials

Sometimes salespeople or financial advisors try to create the impression they have special education or expertise in senior services and products. If credentials contain such words as “senior” or “elder” in conjunction with “certified” or “registered,” be cautious. For example, “RES” (standing for “Registered Elder Specialist”) is nothing more than a commercial gimmick.

Note: There **are** lawyers and other professionals who specialize in senior issues. Always ask the person with whom you do financial or legal business to complete the “**Check Before You Invest**” form (see page 23).

CDs with Bonus

Companies promise investors tantalizingly high rates of return on CDs (certificates of deposit) by including a bonus to attract investors, but then convince the person to buy a different product. Be wary—this is a classic “bait and switch” tactic.

“FREE” Meals, Living Trusts, and Other Seminars

Seniors are often invited to receive free meals and hear about insurance, real estate, and other investment opportunities; financial planning; reverse mortgages; or wills and living trusts. Be wary—some so-called “experts” misrepresent their qualifications. Seminar salespeople may try to sell you unsuitable investments or try to convince you to replace your existing investments.

They may also fail to disclose their fees and commissions or other pertinent information, making it difficult to accurately compare products and services. Worse, some events are just a ploy to obtain your personal and financial information.

Always have presenters complete the “**Check Before You Invest**” form (see page 23), since California law requires they and their company be appropriately licensed to sell/offer the specific type of product or service. **DO NOT** do business with any person or company that is reluctant or refuses to fill out the form.

If you need to prepare or revise your will or other estate or tax-related documents, be sure those documents comply with California law and meet your needs. For more information about preparing end-of-life paperwork, see pages 16-17.

Life Insurance Products

Some life insurance products, such as variable or deferred annuities, are marketed as solid investment products, although they provide questionable future benefits for some seniors and charge very high premiums. These products usually pay large up-front commissions for the salesperson. They may have high withdrawal penalties if the annuity is cancelled before maturity, making them unsuitable for many seniors. Worse, some salespeople steer seniors away from existing low-cost policies into higher-cost annuity policies that, if analyzed as a financial investment, actually offer less in future benefits, except to the salesperson.

Ponzi and Pyramid Schemes

An unknown company offers high investment returns from a plausible-sounding but vaguely described business. Such schemes are often spread by word of mouth through churches, ethnic groups or professional affiliations, frequently in an atmosphere of secrecy. The formula is simple: promise high returns to new investors and use the money to pay previous investors. These schemes collapse—leaving most of the participants with a financial loss.

Viatical and Life Settlement Investment Scams

Terminally ill or elderly people sell the death benefit of their life insurance policy at a discount for cash. Or, seniors are offered cash to take out new life insurance policies in their own name, based on their health and age. A broker then sells shares to investors, each to receive a proportionate share of the death benefit when the insured person dies.

Often these investments are promoted as “guaranteed,” but they actually are extremely risky. Investors rely completely on the broker’s company to find the policy, obtain ownership of the death benefit, pay the premiums, track the status of the insured person, and pay off the investment.

Risk is also increased for the following reasons:

- Precise dates of death cannot be predicted
- All insurance policies are contestable for two years after being issued
- Policies may have been fraudulently obtained, and all premiums must have been paid or the policy is cancelled
- Most companies have no proven track record of paying premiums or actually paying off on the investments when they become due

Other investments related to anticipated cash windfalls or future settlements (for example, insurance settlements, inheritances, or lottery winnings) also pose similar high risks.

Wrong Number and Stock Tip Scams

People receive a “misdialed” call from a stranger who leaves a hot investment tip. The message sounds as if the caller didn’t realize that he/she was leaving it on the wrong answering machine. Con artists may also send similar fraudulent e-mails or faxes - this type of marketing is used to “pump” the stock and generate a buzz among investors, who buy the stock, raising its price. The con artists then “dump” the stock and make a profit, causing the stock price to fall rapidly.

Telephone Scams

Scammers frequently use telephones to swindle unsuspecting seniors out of their money. Be careful when responding “yes” to an automated telephone system that prompts you to answer questions—you could be agreeing to services you didn’t ask for. Also, carefully review your phone bills for accuracy, as you may be paying for a product or service you didn’t order.

“Slamming” and “Cramming”

Slamming occurs when your phone service is switched from one company to another without your permission. To verify your long distance company has not been switched, call Toll-Free 1-700-555-4141 from your home phone. **Cramming** occurs when you are charged for items or services on your phone bill that you did not authorize.

If You’ve been Slammed or Crammed:

- Ask household members if they switched phone companies or ordered additional products or services.
- Immediately contact your local phone or your preferred long distance companies to report and dispute the charge(s). The company will investigate and tell you its findings within 30 days. Be sure you are not charged a fee to be switched back to your preferred company.
- If the company does not solve the problem, file a complaint with the **California Public Utilities Commission** (see page 20).
- Ask your phone company to place a “freeze” on your account to prevent slamming. Also ask your phone company for “bill blocking,” which can help prevent cramming.

“Area Code 809” Phone Scam

An alarming or enticing message is left on your phone, pager or e-mail (such as a family member is ill, arrested, has died, or that you have won a prize.) In each case, you are told to call an Area Code 809 number immediately—don’t return the call! Area Code 809 is the British Virgin Islands and you could be charged \$2,425 per minute, and even if you immediately hang up, you may still be charged.

Prior to making and/or returning any call to an unfamiliar area code, contact your long distance operator (dial 00) or look it up in your telephone book. If you do not ever make international calls, ask your phone company to block them from your phone.

Jury Duty Scams

A caller identifies him/herself as an officer of the court and says you failed to report for jury duty and that a warrant is out for your arrest. The caller then asks for your personal information (birth date, social security number, credit card number) for “verification.” Prospective jurors generally are contacted by mail, not by phone. Hang up! **Never** give out personal information when you receive an unsolicited phone call.

Other Common Scams

Seniors are also targeted for other financial scams—common ones include:

Charity Scams

Con artists often try to take advantage of the generosity of others. Be wary of any solicitations from charities you don’t already know, as well as those you do. Verify that a charity (also known as an “exempt” organization) is legitimate before making a donation. Contact the **Internal Revenue Service** (see page 22) and the **CA Department of Justice** (see page 19).

Also note: be wary of invitations to invest in reconstruction bonds (especially after a well-publicized disaster such as a hurricane or fire).

Foreign Letter Fraud

You receive a letter (or e-mail) from a foreign government, foreign “official,” or “widow,” or someone claiming to be a U.S. service member, asking for your help to move money out of the country. (These are sometimes referred to as “Nigerian Letters.”) Watch out! This is a ploy to get cash or your personal account information.

Home Repair Fraud

Door-to-door offers for “great deals” on yard work, roof repair, paving, chimney sweeping, house painting, and appliance replacement, etc., are not always a bargain. Many times such door-to-door contractors are not licensed. Their work may be incomplete or not up to building code standards, and you may be charged for inferior materials or unnecessary repairs or replacements. Workers may pressure you into making a decision on the spot without a written contract.

Before beginning any home repair projects, be sure to verify a contractor’s license and liability insurance. Contact the **California Contractors State License Board** (see page 18) to verify a contractor’s license.

Always obtain at least three written bids, and get references from previous customers. Never pay with cash, and California law allows you to initiate work by paying no more than 10% down or \$1,000, whichever is less. Don’t make a final payment until you are satisfied with the job and all debris is removed from your property.

Impostor or Distraction Burglary

Sometimes scamsters impersonate utility, government, or commercial reps to gain access to your home, cash, or personal property. If you didn’t call for service, don’t allow them in. Always verify their

legitimacy before allowing entry. Occasionally, someone may try to engage you in conversation at the front door so an accomplice can burglarize your home while you are distracted (these teams may even use children or lost pet tactics to gain your trust). Also, it is a good idea to keep your doors and garage locked while you are working in your yard.

Medicare Fraud

Medicare fraud takes several forms and costs taxpayers hundreds of millions of dollars per year. Sometimes patients get charged for services that Medicare already covers, so verify that all charges, including co-payments, are rightfully yours to pay. Don't carry your Medicare card unless you need it for a medical appointment. NEVER give your Medicare number to anyone except your health care providers, even at health fairs and "free" screenings. Be cautious—avoid health care providers who tell you something is **not usually** covered, but **they** can get Medicare to pay for it.

Medicare is often billed for services that you never received. Later, you may not be able to receive necessary care as the annual allotment was used up. Always review your Medicare Summary Notice, and report errors and concerns to the Medicare Administrative Contractor listed on the Medicare Summary Notice. Report suspected Medicare fraud to the **U.S. Department of Health and Human Services** (see page 21).

Also, safeguard your own medical privacy by never allowing anyone, except appropriate health care professionals, to review your medical records or recommend medical services. Also be aware that scamsters may try to steal your personal information from your medical records, so ask about data security.

Know your Medicare options—The Health Insurance Counseling and Advocacy Program (HICAP) assists individuals and families with Medicare problems, Medicare supplement insurance, managed care, long-term care planning and health insurance (see page 20 for **HICAP** listing).

Mortgage and Foreclosure Fraud

Predatory mortgage lending involves a wide array of abusive practices and usually impacts borrowers with weak or blemished credit records. Abuse includes pressuring consumers into signing loan agreements they cannot afford, and convincing consumers to sign loan agreements without reading them. Fraud may also include undisclosed or excessive interest, fees, prepayment penalties, balloon payments, bait and switch tactics, repetitive offers to refinance, or other inappropriate practices.

If you are having difficulty making mortgage payments, immediately contact your mortgage company and ask for help. Due to the subprime loan situation, companies may be willing to renegotiate loan terms. For information about mortgages and other credit-related issues, contact the **Federal Trade Commission** (see page 22).

Foreclosure fraud can occur when homeowners facing foreclosure are tricked into believing that they can save their home by transferring the deed to a third party, who promises to pay the up-front costs and sell the house back to the original owners when they can afford it. The third party profits by re-mortgaging the property, and sometimes then allows the property to go into default a second time.

The original owners lose everything. If you are facing foreclosure, investigate payment options with your loan company and don't sign your property away.

Online Purchases and Online Escrow Fraud

Be cautious when making online purchases. Online scams include phony auctions, phony online escrow companies, and phantom merchandise. Don't give personal or financial information over the web (or phone), unless it's via a secure site and **you** initiated the contact. Secure websites have an "s" at the end of the **http** in their web address, displayed as **https**

Also, use a credit card for mail orders, phone orders, and online purchases. Credit cards provide better consumer protection than cashier's checks, debit cards, or checks, which draw cash directly from your account.

Phishing

Phishers create authentic-looking e-mails, text messages, and Internet pages that look exactly like the real thing in order to entice unsuspecting people into disclosing personal or financial information (such as credit card details or passwords). **Do not** respond to the e-mail or call the phone number listed, which might be bogus.

If you did not initiate the contact, **do not** provide any personal information via e-mail or by telephone. If the contact appears to be legitimate, verify the company's customer service telephone number by checking your most recent billing statement, and then call.

Sweepstakes and Lottery Winners

A call, e-mail, or letter (sometimes with an attached "check") proclaims that you just won a sweepstakes (for example, the Canadian or El Gordo lotteries), even though you never bought a ticket! Usually, the recipient is asked to transfer funds or send a cashier's check to pay taxes, legal fees or to submit bank information before the winnings can be claimed. Don't respond. It is **ILLEGAL** for legitimate sweepstakes to require funds, other than ticket purchase, before paying winnings.

"Sweetheart Swindle"

A senior is befriended by a younger person who pretends to truly care or expresses romantic interest, and then needs cash for various expenses. Don't fall for it! This can lead to financial devastation.

Safeguarding Your Personal Info. . .

Helpful Hints: Check all bills and financial statements immediately when you receive them. Shred (don't toss) cancelled checks, credit card statements, old bills, and other financial papers. To protect yourself from mail thieves, send mail at the post office or give outgoing mail directly to your postal carrier. **DO NOT** use such things as your mother's maiden name, birth dates, phone numbers, consecutive numbers, or the last four digits of your Social Security number for any password.

Request Your Credit Report: You are entitled to a free credit report once every 12 months from each of the three national credit bureaus. You can rotate your requests so you receive one every four months. Review credit reports carefully: look for accounts you don't recognize (especially new accounts), suspicious charges, or any addresses where you've never lived. The three credit bureaus:

Trans Union 1-800-680-7289

Experian 1-888-397-3742

Equifax 1-800-525-6285

Or, go to www.annualcreditreport.com (or call Toll-Free 1-877-322-8228) to make one request per year and get all three reports at the same time, free of charge. (**Be aware:** some websites offer "free" credit reports, but may charge you for another product if you order the "free" report.)

Note: Identities have been stolen from children under the age of 18 and "dependent" or vulnerable adults and seniors. Parents and those entrusted with financial power of attorney should annually request and review credit reports for these vulnerable people.

Protect Your Credit: You can "freeze" your credit to prevent anyone else from using your name and/or personal information to apply for credit. Contact each credit bureau and follow their separate procedures (each will charge \$10). If you need additional credit later, you can "lift" or "remove" the freeze—fees are 10-\$12 per credit bureau. If you are a victim of identity theft, these fees are waived.

To remove your name ("opt-out") from mailing lists used to offer you additional credit or insurance, contact **Consumer Credit Reporting** (see page 20).

If Your Identity is Stolen: Immediately report identity theft to your local police department. Provide as much information as possible, including copies of credit reports and other items related to the identity theft. (Be sure to black out information not related to the identity theft.) Ask for a police report as you will need to give copies to creditors and the credit bureaus (listed above). Provide the police with any new evidence you later collect. Be aware—untangling identity theft can take a long time.

To help you organize and track your case, see "Organizing Your Identity Theft Case" by the **Identity Theft Resource Center:** www.idtheftcenter.org/vg106.shtml

For Further Assistance, Contact:

CA Office of Information Security and Privacy Protection Hotline: 1-866-785-9663

or

U.S. Federal Trade Commission Identity Theft Hotline: 1-877-438-4338

If Your Social Security or Medicare Card or Number is Stolen: If you suspect that someone else is using your Social Security number, or if you have received notice from the Internal Revenue Service of unreported taxable income that is not yours, or if you suspect that your Medicare number is being improperly used, contact the **U.S. Social Security Administration** (see page 22).

If Your Credit Card is Lost or Stolen: Immediately contact your credit card company to cancel the credit card. By law, once you report the loss or theft, you have no further financial responsibility for unauthorized charges.

Contact any one of the three credit reporting companies (listed above) to initiate a free-of-charge “fraud alert.” That bureau will then inform the other two, and activate procedures to prevent anyone else from taking out credit in your name or requesting a replacement card on your existing accounts. A fraud alert stays active for 90 days.

With a police report, you may also request an extended fraud alert that lasts 7 years. (To remove the “fraud alert,” you must contact each credit reporting company separately.)

If Your Checks, ATM Card or Bank Account Information are Lost or Stolen: Immediately notify your bank or credit union to stop payments and ask them to notify their check verification company. Follow up in writing; keep a copy and send by “certified mail, return receipt requested.” Change your passwords or close the account(s) and open a new account with a new password. If your checks have been stolen, contact these companies toll-free:

TeleCheck..... 1-800-710-9898

Certegy, Inc. 1-800-437-5120

To find out if bad checks have been passed using your name or account, contact:

SCAN 1-800-262-7771

If Your Driver’s License or DMV-issued ID Card is Lost or Stolen: Immediately go **in person** to your local Department of Motor Vehicles office and apply for a replacement Driver’s License/ID card. Then request that DMV place a fraud alert on your license number.

DMV Toll-Free Fraud Hotline: 1-866-658-5758

E-mail: DLFraud@dmv.ca.gov

If someone is using your Driver’s License/ID card number as their ID, contact your local DMV office for an appointment. You will need to prove your identity, so bring current documents such as a passport, proof of citizenship or naturalization, or a U.S. military photo ID. Also bring copies of the police report, bills, and other evidence which demonstrate your identity was stolen. If you meet DMV’s identity theft requirements, DMV will then issue you a new Driver’s License/ID card number.

If You Suspect Mail Fraud: Identity theft and financial scams are often committed via the United States Postal Service (USPS), which is a federal crime. If you receive suspicious solicitations by mail or suspect your mail has been tampered with, contact the **USPS Inspector General** (see page 22).

Check Washing

Mail thieves can erase the ink on a check with common chemicals. They then rewrite the check, increasing the amount, and cash it in their name. Use gel pens labeled “prevents check washing” when writing checks and signing important documents, and mail important documents at the post office.

Investor Self-Defense

A Critical Step in Wise Investing is to Investigate Before You Invest

Investing is an important part of your financial security. Understanding the risks and rewards of investing can seem difficult or complicated because there are so many different options and terminology. Never invest in something that you don't understand. Keep in mind that even the most reputable companies and advisors make a profit off your investment, regardless of whether the investment is right for you.

Before You Invest

- How much risk are you are willing to tolerate? Remember—only invest what you can afford to lose!
- Does the investment meet your needs? Ask yourself questions like: What are my future cash needs? Does this investment allow me to access funds to meet these future cash needs without significant penalties? What are the tax implications? What other investment options are available? Do I prefer to pay for investment services through a fixed fee, a commission, charge per transaction fee, a percentage of assets in my account, or a combination?
- Never meet with a salesperson alone in your home. Do not disclose your financial information, Social Security number, or other personal information until you are confident of the legitimacy of the person and the security of your information.
- Ask questions and be sure you understand all terms and conditions before signing.
- Don't rush into filling out or signing anything. Request and review written information—this includes risks, obligations, and all costs associated with the investment, as well as full disclosure about commissions, sales charges, maintenance or service charges, transaction or redemption fees, and penalties.
- Ask your attorney, accountant, stockbroker, financial advisor, or other licensed professional about the investment, and discuss options with friends and family.
- Be wary of any salesperson who promises to “take care of everything for you.” If salespeople do not want to share information, it is highly likely they are hiding something.
- Ask if the salesperson receives compensation from other sources if you buy a particular stock, mutual fund, bond, annuity, or other investment they recommend. Do they disclose potential conflicts of interest and other sources of commission? Will they put in writing whether they have any conflicts of interest? Will your investment be in an advisory account or a brokerage account? Different levels of consumer protection and disclosure may apply, depending upon the type of investment account.

Don't be a "Courtesy Victim"

Fraud can be stopped—don't let others take advantage of you just because you have good manners! It is not impolite to simply say that you are not interested or that you make it a policy to never do business over the phone. When in doubt about a sales call or personal visit, just say NO!

Be Wary of Anything that Requires "Immediate" Action

Turn down any investment opportunity with high-pressure sales tactics or warnings like "you must act now" or "tomorrow will be too late." It is far better to verify the company and individuals (and possibly miss an investment opportunity) than it is to make an uninformed decision and lose your money. If the person offering you an investment won't give you time to investigate, something is fishy.

Check Credentials

Make sure the people and firms who make money from your investments have proper credentials. BEFORE entering into financial relationships, ask advisors and salespeople to fill out the "**Check Before You Invest**" form (see page 23). Then call the **Department of Corporations** to verify their licenses, work history, background, company, and the investment itself. We can help you recognize possible "red-flags" before you proceed. Staff can also refer you to other licensing agencies as appropriate.

Report Fraud and Abuse

Don't let embarrassment or fear stop you from reporting fraud or abuse. If you have any doubts about an investment, or feel that you may have been a victim of fraud, PLEASE report such concerns immediately. Protect yourself and help protect others from fraud!

How to File a Complaint with the CA Department of Corporations

Complaints are the foundation of the Department's enforcement activities. Help us protect Californians from unlicensed or fraudulent consumer transactions.

- To request a complaint form to be mailed to you, call our **Consumer Resource Center** toll-free at 1-866-ASK-CORP (1-866-275-2677). OR go to our website to download and print a copy of the complaint form. The website is: www.corp.ca.gov
- Summarize your complaint. Make sure your complaint tells us WHAT happened, WHO was involved, and WHEN and WHERE the event took place. Please provide any other relevant information that may assist us in understanding and resolving your complaint.
- Provide us with copies of all documents supporting your complaint. (Please do not send originals; we may not be able to return them.)
- Type or print clearly in ink.
- Mail the completed complaint form and your supporting documents to:

California Department of Corporations
1515 K Street, Suite 200
Sacramento, CA 95814

Consumer Resource Center

Reverse Mortgages

Reverse mortgages allow seniors (ages 62 and up) to convert their home equity into tax-free cash while retaining the title to their homes. Unlike traditional mortgages, reverse mortgages give payments to the borrower in lump sum or periodic payments, often not having to be repaid during a senior's lifetime.

A reverse mortgage may be appropriate for seniors who:

- Need more money to live on,
- Want to remain in their home indefinitely, but
- Have no assets other than their home equity, &
- Are not concerned about leaving their home to children or other heirs.

However, reverse mortgages are expensive, involving higher fees and costs than other types of mortgages. Money from a reverse mortgage may be considered "income" under certain government programs, making seniors ineligible for other types of benefits.

Reverse mortgages are sometimes offered in high-pressure solicitations that emphasize positives while concealing or evading discussion of costs, fees, and details. In the worst cases, reverse mortgages are offered by salespeople who want seniors to invest in unsuitable or even fraudulent investments.

Do not take out a reverse mortgage in order to finance other investments. Beware of any salesperson who uses high-pressure tactics, recommends a reverse mortgage as a simple "one-size-fits-all" solution or who recommends that you commit to a reverse mortgage without exploring other options first. Both **FHA (Home Equity Conversion Mortgage)** and **Fannie Mae (Home Keeper)** have reverse mortgage programs, and some lenders may also have other reverse mortgage options.

CA law prohibits lenders from requiring the purchase of an annuity as a condition of obtaining a reverse mortgage loan; mandates counseling from a housing counselor prior to final acceptance of the loan; and requires that the loan agreement be translated into the applicant's primary language.

Federal law requires a counseling session with a HUD-approved reverse mortgage counselor before a HUD-sponsored reverse mortgage is approved. While seniors may believe that the counseling will protect them from an unsuitable reverse mortgage, the required counseling is in fact only intended to make sure the senior understands the terms of the reverse mortgage. Also, counselors are not trained to determine a senior's competency. If a HUD-approved counselor does not approve the reverse mortgage, an unscrupulous lender may contact other counselors until the lender finds one who is willing to approve the reverse mortgage.

Do not commit to a reverse mortgage until you are sure it is right for you. Make sure you understand the terms and costs. Ask about the repayment total, interest rate, and fees. Explore other options. Call the **CA Department of Corporations** to verify the salesperson and company are properly licensed. Contact your local **Area Agency on Aging** (see page 18) for information about senior programs that offer rebates or financial help for energy improvements, home and chore maintenance, property tax and/or health cost assistance.

Annuity Purchases

An annuity is a complex financial product with widely varying fees, costs, and features. Make sure you understand how the annuity works, what fees and charges you will pay, and all terms and conditions of the contract. Invest only what you can afford to put away and make sure it suits both your investment needs and risk tolerance. Comparison shop before you buy. Discuss the purchase with someone you trust besides the person selling you the annuity.

- **“Guaranteed” annuities are scams!** Unlike certificates of deposits (CDs) or savings accounts, annuities are NOT guaranteed by any government agency. Annuities are only as safe as the insurance company that sells them. Check out the financial strength of the company at www.insurance.ca.gov BEFORE you purchase any annuity.
- **“Surrender charges” are fees for withdrawing money before the maturity date.** What are the surrender charges and how long is the surrender period? Five, ten, even twenty years is not uncommon. Can you afford to have your money inaccessible for that long?
- **Watch out for high “introductory” or “teaser” rates of return (usually good for one year or less)** as these rates may change significantly.
- **“Degree of risk” varies depending on the type of annuity.** Is the annuity fixed, variable or indexed? Understand the risks for the annuity you are buying – for example, some annuities are tied to the stock market and involve a high degree of risk.
- **Commissions for annuities may be so high that the agent will want to sell you a specific product even if it isn’t the best investment tool for you.** Find out the amount of the agent’s commission. **Beware** of agents who don’t want to answer this question.
- **Cashing in one annuity to purchase another may not be in your best interest.** You may be giving up benefits in the older annuity that the replacement won’t have. Make sure the benefits outweigh all the costs, and that the salesperson is not the prime beneficiary.
- **Be aware that some, but not all, annuities provide a death benefit.** Compare death benefits and make sure you know what will happen to the proceeds upon your death.
- **Be wary of meeting with a salesperson alone in your home and don’t rush into filling out or signing documents.** DO NOT purchase an annuity to try to qualify for Medi-Cal.
- **California law gives you a 30-day “free look” so you can review an annuity or life insurance purchase with trusted friends, relatives, or professionals.** Return the contract if you decide it isn’t right for you.
- **Other questions to ask before you buy an annuity:** Does this meet my needs? What liquid assets (cash) will I need in the future? What are the tax implications?

To Check on an Agent or Insurance Company, Contact:

California Department of Insurance Consumer Hotline: 1-800-927-HELP (1-800-927-4357)

Financial Difficulties

Some seniors may have trouble making ends meet. The California Department of Corporations has found that some seniors utilize cash advance companies for small, short-term loans, and a significant number of those seniors take out multiple loans. If you or someone you know is having trouble staying out of debt, contact your local **Area Agency on Aging** (see page 18) for low-income assistance programs.

Cash Advances

Cash advances, payday loans, or overdraft protection are a way to borrow money from yourself. You write a check to a lender or borrow against your own future deposit, in exchange for a short-term cash loan.

Under California law, the maximum loan amount you can borrow as a cash advance/payday loan is \$300. The maximum fee a lender can charge you is 15% of the face amount of the check (to a maximum of \$45).

For example, you write a \$300 check, pay a \$45 fee, and receive \$255 in cash. The lender does not cash the check until your next deposit, up to 31 days.

Overdraft protection has similar fees.

These fees are often equivalent to an annual percentage rate (APR) of 400% or more. APR is the total interest rate that a borrower pays annually on a loan, including all fees and charges. APR is used to reveal the total cost of borrowing money.

If You Take Out a Cash Advance:

Borrow only as much as you can afford to pay back in full when you get your next check. On the loan due date, some borrowers find they cannot afford to pay the loan in full. Often, a borrower will take out a second loan from another lender in order to pay off the original loan. This can begin a dangerous cycle of debt that may lead to financial disaster.

If You Have Credit Problems:

If you have missed bill payments or have other credit troubles, you may benefit from the services of a financial counselor.

Visit the **National Foundation for Credit Counseling (NFCC)** website, www.nfcc.org or call Toll-Free 1-800-388-2227 for assistance with credit problems and creditors.

If You Are Facing Bankruptcy:

Recent Federal law requires mandatory credit counseling before you can declare bankruptcy. Go to <http://www.ftc.gov/bcp/menus/consumer/credit/debt.shtm> to download the publication "Before You File for Personal Bankruptcy: Information about Credit Counseling and Debtor Education."

The **U.S. Department of Justice Trustee Program** approves organizations to provide mandatory counseling before you can declare bankruptcy and mandatory debtor education after you declare bankruptcy. Go to

www.usdoj.gov/ust/eo/bapcpa/ccde/index.htm

Elder Abuse and Financial Elder Abuse

Elder Abuse is the physical, sexual, emotional, or financial abuse of a senior. Elder abuse contains two key parts: a senior suffers injury, deprivation, or unnecessary danger; and a specific individual (or individuals) causes or fails to prevent the harm. Elder abuse affects seniors in all cultural, social and income groups. In California, it is estimated that only one in five cases of elder abuse is reported to authorities. Nationally, it is estimated that one of every 20 seniors will be abused in their lifetime.

Financial Elder Abuse

Financial Elder Abuse is when a senior is **financially** exploited. Financial elder abuse often occurs without the victim's knowledge. An exploiter might be a family member, caregiver, friend, financial advisor, attorney, or even worse, the person already trusted with financial power of attorney by the senior. Like other forms of elder abuse, financial elder abuse is an under-reported crime.

Financial Elder Abuse Includes:

- Wrongful use of financial power of attorney
- Ill-advised investments and purchases, significant transfers of assets, substantial loans or gifts to others
- Forging a senior's signature or deceiving a senior into signing any legal and financial document, especially when the senior seems unable to comprehend
- Revising a senior's will or other documents, especially when the new beneficiary is a caregiver or a previously uninvolved person now claiming a right to a senior's property
- Diverting money meant to pay the senior's rent, utilities, or taxes
- Unauthorized use of credit cards, ATM cards, or checkbooks
- Promises of "lifelong care" in exchange for deeding property to caregiver

Signs of Financial Elder Abuse Include:

- Disappearing valuables or assets
- Unkempt appearance of senior
- Suspicious activities/people at a senior's home
- Substandard care despite adequate finances, or senior complains she/he used to have money, but doesn't now
- Unusual bank account activity—withdrawals (especially when the senior withdraws large sums while accompanied by another person) and unexplained changes of bank accounts from one branch to another

Adult Protective Services

If you experience, witness, or suspect these activities, IMMEDIATELY contact **Adult Protective Services** in the California county where the senior resides. See listing in the white pages of the appropriate telephone directory under “**County Government.**”

Preparing End-of-Life Paperwork

Protect your assets and give your heirs an enormous gift—organize your personal papers (especially insurance and financial documents) and complete your end-of-life paperwork. It is very hard to make good decisions while grieving, and after your death, unscrupulous people may prey upon your heirs or your assets.

Even if your assets are modest, you will save your heirs a lot of stress, time and money if you consult with an appropriately trained lawyer and properly complete all necessary paperwork. (See page 21 for **State Bar of CA** listing, or contact your **County Bar Association**, to locate an elder law or estate planning specialist.)

Be sure to review all your documents (preferably with an elder law or estate planning lawyer who practices in your home county) at least every 5 years, and update your paperwork as necessary.

Plan for contingencies—for instance, include additional people to make health care decisions on your behalf or to serve as trustee if your first choice is not able to do so. Also specify in writing anyone you **don't** want to make decisions or manage your finances.

Durable Power of Attorney for Finances

Designate the person who will make financial decisions on your behalf if you become incapacitated. This includes day-to-day bill paying, investing, decisions regarding your home and other property, applying for government benefits, and gifts or estate plans. In California, a durable power of attorney for finances remains in effect when you become incapacitated. If you decide to make changes to the durable power of attorney for finances, it is important to revoke the document and create a new one, so there is no legal question of your intent.

BE VERY CAREFUL—these powers are often very broad and can give the agent complete control over your financial assets. Carefully review your choices and consider limiting the power of attorney to certain transactions. It is estimated that 50-60% of elder financial abuse is perpetrated by the person granted power of attorney for finances!

Advance Health Care Directives Designate the person who will make medical and health care decisions on your behalf if you become incapacitated. This includes medical care and treatment options, end-of-life choices (for example, “do not resuscitate” and organ donation), and placement into care facilities. You must specifically designate someone in writing, or they will be unable to oversee your medical care. Also be sure to also file a copy with your doctor and your health insurance provider.

You can download a free copy of a CA Advance Health Care Directive form from the **CA Office of the Attorney General**: <http://www.ag.ca.gov/consumers/pdf/AHCDS1.pdf>

Wills and Trusts

The purpose of a will is to distribute your property as you indicate after your death. Under California law, if you die without a will, the Probate Code directs the distribution of your assets to your relatives.

The purpose of a trust is to provide for management of your assets during your lifetime, and distribution of assets after your death. A trust generally means your estate avoids probate, and may minimize legal fees and taxes.

Fiduciaries

If money matters, health care, and end-of-life issues seem too challenging, you may want to appoint a trusted family member or qualified professional as a fiduciary, to oversee your personal affairs. Such a person must be trustworthy because they have legal jurisdiction over major life decisions. Sadly, many people take advantage of their fiduciary duties for personal gain—in many cases stealing assets for themselves.

California has a **Professional Fiduciaries Bureau** (see page 20) that licenses and regulates non-family member private fiduciaries that act as trustees on your behalf. If you are considering a private fiduciary, contact the Bureau to check if the person holds the proper license. Family members, many attorneys, and financial professionals are exempt from this licensing requirement.

Cemeteries and Funerals

- Communicate your preferences for your funeral/memorial and burial/cremation, and be an informed consumer.
- DO NOT pre-pay—instead, pre-arrange. Funeral homes and cemeteries often go out of business, are purchased by other companies, or stop providing certain services.
- Research and shop around—don't fall for high-pressured and over-priced sales tactics. By law, funeral homes must provide detailed price lists over the phone or in writing. Ask about lower priced items. Require itemized, written plans and carefully review contracts and purchase agreements before signing. Ask if agreements can be transferred to other funeral homes.
- CA law does NOT require embalming or a casket, although some cemeteries require these for burial.
- Some people prefer “green burials” to reduce environmental impacts of embalming chemicals, plastics, and other non-organic substances.

Contact the **Federal Trade Commission** (see page 22) for a free consumer guide or to file a complaint. Go to www.ftc.gov/bcp/menus/consumer/shop/funeral.shtm to download a copy of “Funerals: A Consumer Guide.”

Contact the **CA Cemetery and Funeral Bureau** (listed under **CA Department of Consumer Affairs**, page 18) to file a complaint and for a free pamphlet: *Consumer Guide to Funeral and Cemetery Purchases*.

Alzheimer's Association

If you or a loved one is facing Alzheimer's, dementia, or other mental impairment, contact the **Alzheimer's Association** for important additional resources and information

Resource Guide

Agency	Responsibilities	Contact Information
Adult Protective Services (APS)	Assists seniors and dependent adults; investigates reports of physical, emotional and/or financial abuse.	To locate APS in your County, see listing in the white pages of your telephone directory under "County Government."
Alzheimer's Association	Information, referrals, and support for individuals and families coping with Alzheimer's and other dementia.	To find your local chapter: Toll-Free 1-800-272-3900 www.alz.org
American Association of Retired Persons (AARP)	A nonprofit organization for people age 50 and older. Provides benefits, products, and services for members.	Toll-Free 1-888-687-2277 www.aarp.org
Area Agencies on Aging	Information about senior programs and rebates for energy costs, home maintenance, health costs, and taxes.	Toll-Free 1-800-677-1116 www.c4a.info/
CA Advocates for Nursing Home Reform	Helps residents and their families find legal services and provides accurate info. on Medi-Cal and long-term care issues.	Consumer Information Hotline Toll-Free 1-800-474-1116 www.canhr.org
CA Association of Food Banks	Provides coordination among CA food banks.	To find your nearest food bank: see listing in the white pages of your telephone directory under "County Government." www.cafoodbanks.org/

Agency	Responsibilities	Contact Information
CA Board of Accountancy	Licenses & Regulates: <ul style="list-style-type: none"> • Certified Public Accountants • Public Accountants • Accounting Firms 	(916) 263-3680 www.dca.ca.gov/cba
CA Contractors State License Board	Licenses & Regulates: 43 classifications of contractors and home improvement sales.	Toll-Free 1-800-321-2752 www.cslb.ca.gov
CA Department of Consumer Affairs	Licenses & Regulates: various professions including doctors, dentists, contractors, funeral and cemetery providers, auto repair technicians and repair shops, and cosmetologists.	Toll-Free 1-800-952-5210 www.dca.ca.gov Cemetery & Funeral Bureau (916) 574-7870 www.cfb.ca.gov
CA Department of Corporations	Licenses & Regulates: individuals and companies conducting various financial activities, including advisors, brokers, and franchises.	Toll-Free 1-866-ASK-CORP (1-866-275-2677) TTY 1-800-735-2922 www.corp.ca.gov
CA Department of Financial Institutions	Licenses & Regulates: banks and credit unions.	Toll-Free 1-800-622-0620 www.dfi.ca.gov
CA Department of Health Services	Licenses & Regulates: various public health and medical care services, including Medi-Cal, nursing homes, and long-term care.	Medi-Cal Fraud Toll-Free 1-800-822-6222 www.stopmedi-calfraud.dhs.ca.gov Nursing Home Complaints Toll-Free 1-800-236-9747 Partnership for Long-Term Care Toll-Free 1-800-227-3445 www.dhs.ca.gov
CA Department of Insurance	Licenses & Regulates: insurance agents, brokers, and companies, viaticals, and annuities.	Toll-Free 1-800-927-HELP (1-800-927-4357) www.insurance.ca.gov

Agency	Responsibilities	Contact Information
CA Department of Justice—Office of the Attorney General	Oversees charities and fundraisers, medical fraud, and identify theft.	www.caag.state.ca.us Identity Theft Victims Toll-Free 1-888-880-0240 Elder Abuse Reporting Hotline Toll-Free 1-888-436-3600 Registry of Charitable Trusts (916) 445-2021
CA Department of Managed Health Care	Information about health care rights & benefits.	Toll-Free 1-888-466-2219 www.dmhc.ca.gov
CA Department of Real Estate	Licenses & Regulates: real estate brokers and salespeople, and mortgage lender/broker activities.	(559) 445-5009 Fresno (213) 620-2072 Los Angeles (510) 622-2552 Oakland (619) 525-4192 San Diego www.dre.ca.gov
CA Department of Social Services	Information about various social services, including: food, transportation, housing, health, residential care, day care, foster care, adoption, disaster services, refugee services, and in-home care.	Toll-Free 1-800-722-0432 www.dss.cahwnet.gov
CA Department of Veterans Affairs	Provides benefits & services to CA veterans, including dependents and survivors.	Toll-Free 1-800-952-5626 www.cdva.ca.gov
CA Medical Board	Make inquiries or file complaints about CA physicians.	Toll-Free 1-800-633-2322 www.medbd.ca.gov
CA Office of Information Security and Privacy Protection	Information on privacy issues; works with law enforcement on identity theft investigations.	Toll-Free 1-866-785-9663 www.oispp.ca.gov
CA Professional Fiduciaries Bureau	Licenses & Regulates: Non-family member private fiduciaries.	(916) 574-7340 www.fiduciary.ca.gov
CA Public Utilities Commission	Regulates privately-owned utilities, telecommunications, transit, and transportation companies. Provides weatherization and other energy	(415) 703-2782 www.cpuc.ca.gov Utility & Telephone Fraud

Agency	Responsibilities	Contact Information
Deaf and Disabled Telecommunications Services Cal Phone Info	efficiency for low-income households. Provides free special equipment to consumers with hearing, vision, speech, mobility, and cognitive disabilities. Assists consumers on telephone services.	Hotline Toll-Free 1-800-649-7570 Toll-Free 1-877-546-7414 TTY 1-800-867-4323 www.ddtp.org calphoneinfo.com
California Registry	Referrals for assisted living facilities, residential care homes, Alzheimer's facilities, & continuity care communities.	Toll-Free 1-800-777-7575 www.calregistry.com
Consumer Credit Reporting – “Opt-Out”	Info. to remove your name from lists used by creditors and insurers to make offers of credit or insurance.	Toll-Free 1-888-567-8688 TDD 1-877-730-4105 www.optoutprescreen.com
Direct Marketing Association	Provides information on how to remove your name from mailing lists, telemarketing lists, e-mail lists and other marketing lists.	www.dmachoice.org
Eldercare Locator Service	Provides nationwide assistance for seniors, their families, and caregivers, with referrals to local agencies.	Toll-Free 1-800-677-1116 www.eldercare.gov
Financial Industry Regulatory Authority (FINRA)	Licenses & Regulates: individuals and companies conducting various securities activities; establishes rules and conducts audits.	(301) 590-6500 www.finra.org FINRA Broker Check Hotline Toll-Free 1-800-289-9999
Health Insurance Counseling & Advocacy Program (HICAP)	Provides unbiased info. to help Medicare beneficiaries make the best choices for their individual health care needs.	Toll-Free 1-800-434-0222 www.calmedicare.org/counseling/index.html
Meals-on-Wheels and other CA Senior Meals Programs	Locate senior meal programs.	www.mealcall.org/meals-on-wheels/ca/index.htm

Agency	Responsibilities	Contact Information
Medicare	See U.S. Dept. of Health & Human Services listing on page 21.	Medicare Information Hotline Toll-Free 1-800-633-4227 www.medicare.gov
National Center on Elder Abuse (NCEA)	Info. & links on crimes against the elderly, including financial abuse.	Toll-Free 1-800-677-1116 www.ncea.aoa.go
National Center for Victims of Crime	Provides national advocacy for victims of all crimes.	Toll-Free 1-800-394-2255 TTY 1-800-211-7996 www.ncvc.org
National Foundation for Credit Counseling	Assists with credit problems & creditors.	Toll-Free 1-800-388-2227 (In Spanish: 1-800-682-9832) www.nfcc.org
Phone Busters – Canadian Anti-Fraud Call Center	Report Canadian lottery scams, identity theft, and telemarketing crimes. Ontario Police refer calls to law enforcement.	Toll-Free 1-888-495-8501 www.phonebusters.com
Privacy Rights Clearinghouse	Information on privacy issues and identity theft.	(619) 298-3396 www.privacyrights.org
Rebuilding Together	Provides free home repair for low-income homeowners, especially at-risk seniors.	Toll-Free 1-800-473-4229 www.rebuildingtogether.org
Senior Legal Hotline	Provides seniors (over age 60) with fast, accurate advice on any legal subject (by phone and internet) and makes referrals.	Legal Assistance Toll-Free 1-800-222-1753 Other (not legal) (916) 551-2145 www.seniorlegalhotline.org
State Bar of California	Info. to help you find an attorney, including elder law or trust specialists. Also, file complaints and help to gain reimbursement for attorney misconduct.	License Verification & Complaints Toll-Free 1-800-843-9053 Senior Information Hotline Toll-Free 1-888-460-7364 www.calbar.ca.gov

Agency	Responsibilities	Contact Information
U.S. Department of Health & Human Services	Report fraud, waste or abuse, including Medicare, child support, and food stamps, and complaints about employees and contractors. Info about Medicare and up-to-date information regarding the health plans in your area.	Fraud Hotline Toll-Free 1-800-447-8477 www.oig.hhs.gov Medicare Information Hotline Toll-Free 1-800-633-4227 www.medicare.gov
U.S. Department of Veterans Affairs	Provides benefits and services to U.S. veterans, including dependents and survivors.	VA Benefits Toll-Free 1-800-827-1000 TDD 1-800-829-4833 www.va.gov
U.S. Federal Trade Commission (FTC)	Provides consumer protection on: loans, credit cards, identity theft, telemarketing, funerals & cemeteries.	Toll-Free 1-877-FTC-HELP (1-877-382-4357) www.ftc.gov
Identity Theft Hotline	Help for identity theft victims to resolve financial and other problems & file complaints.	Toll-Free 1-877-438-4338 www.consumer.gov/idtheft
"Do Not Call" Registry	Register phone numbers to reduce telemarketing.	Toll-Free 1-888-382-1222 TTY 1-866-290-4236 www.donotcall.gov
U.S. Internal Revenue Service (IRS)	Information on legitimate charities, tax-related fraud schemes, fraudulent federal tax returns, and other information.	Hotline for Charities Information Toll-Free 1-877-829-5500 Hotline for Tax Fraud Reporting Toll-Free 1-800-829-0433 www.irs.gov
U.S. Postal Service (USPS) Inspector General	Investigates identity theft involving the mail. Call if your mail was stolen, your mailing address was fraudulently changed, or mail was used in an identity theft scheme.	Toll-Free 1-800-654-8896 www.postalinspectors.uspis.gov Sweepstakes/Mail Fraud Hotline Toll-Free 1-800-372-8347
U.S. Securities and Exchange Commission (SEC)	Regulates: National securities exchanges, investment companies, investment advisors (managing over \$25M in client assets).	Toll-Free 1-800-732-0330 www.sec.gov

Agency	Responsibilities	Contact Information
U.S. Social Security Administration	Provides economic protection for all Americans, social security information, fraud prevention related to social security.	Information on Earnings/Benefit Status Toll-Free 1-800-772-1213 TDD 1-800-325-0778 Report Social Security Fraud Toll-Free 1-800-269-0271 www.ssa.gov

Check Before You Invest

Before investing, have the person offering products/services complete this form, sign it, and return it to you. Verify both the person and company are licensed and authorized to sell/offer the specific type of product, by contacting the appropriate licensing agency (see reverse side for agency contact information). Keep the completed form for your records.

Seller/Agent and Company Information (please print clearly)

Seller/Agent Name _____

Company/Business Name _____

Company/Business Address _____

Phone Number(s) _____ E-mail _____

I am offering the following product(s) and/or services (check all that apply)

Investment: Securities Mutual Funds IRAs
 Private Placements Oil & Gas/Minerals Other _____

Financial Planning: Investment Advice Financial Planning Wealth Creation

Insurance: Life Annuities Viaticals Other _____

Real Estate: Refinance Reverse Mortgage Equity Loan
 Investment (specify) _____

Legal Services: Wills Living Trust Estate Planning
 Other _____

Accounting: Tax Preparation Other _____

Contractor Services: Home Repair Remodeling Other _____

I am currently licensed by

<input type="checkbox"/> CA Department of Corporations	CRD #: _____
<input type="checkbox"/> CA Department of Corporations	IARD/CRD #: _____
<input type="checkbox"/> CA Department of Insurance	License #: _____
<input type="checkbox"/> CA Department of Real Estate	DRE License #: _____
<input type="checkbox"/> CA State Bar Association	State Bar #: _____
<input type="checkbox"/> CA Board of Accountancy	CPA License #: _____
<input type="checkbox"/> CA Contractors State License Board	License #: _____
<input type="checkbox"/> Other	License #: _____

I certify that I am making these representations truthfully in order to do business with you.

Signature: _____ Date: _____

Before Investing or Getting Advice have the person offering products/services complete this form, sign it, and return it to you.

Verify both the salesperson/advisor and their company are licensed and authorized to sell/offer the specific type of product. Remember to keep this completed form for your records.

Contact the appropriate California licensing agency below (or call the California Department of Corporations for referral to other agencies.)