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Making smart choices: how to avoid financial scams

By: Vahid H. Dejwakh, William and Mary Law Class of 2015

A friend recently told me that his retired mom is so wary of telemarketers and people trying to sell her financial products that she only answers the phone when she recognizes the caller's number. He had to leave a message on her answering machine when he called her from his new cell phone number, only to get an immediate call back once she realized it was him.

At first, you might think this behavior is excessive or even unnecessary. But the reality is that senior citizens are right to be cautious. According to Consumer Financial Protection Bureau (CFPB) director Richard Cordray, older adults lost at least $2.9 billion to financial exploitation in 2010. The American Association of Retired Persons (AARP) believes that scammers often target the elderly because they: (1) expect honesty in the marketplace, (2) are less likely to take action and report fraud, and (3) are less knowledgeable about their rights and how to look up relevant information.

Common scams identified in this useful article from Nolo include selling goods that are worthless or never arrive, getting unauthorized access to accounts through "sweetheart scams" or some other contrived story (such as the far-away prince who died and left millions), charging excessive and hidden fees, being pressured into signing a power of attorney, or just falling for some sweet-tongued salesman who convinces you that he has a better and safer investment vehicle for your retirement savings.

The Better Business Bureau recently published a list of the top 10 scams of 2013. One of them, specifically targeting senior citizens, centered on a promise to give a "free" medical alert system, supposedly paid for by a loved one.

The Department of Justice's section on Internet and Mass-marketing fraud offers some advice on how diligent investors and buyers can avoid some of these scams. In general, here are some good rules to stick by:

1. **Take your time to do your research**. What sounds or looks like a great deal may not be the full picture. Today's technology allows even the cheapest scammers to create legitimate-looking websites. If someone tells you that you have to pay now because they'll otherwise offer the "great deal" to someone else, or in any way pressures you to act fast, there's probably a problem. The Better Business Bureau is a great place to go to look up a business and find out how many customer complaints they may have gotten. Also, you can go to Google.com and just do a basic search for the name of the business along with the word "complaints" or "fraud."
2. **Do not disclose any personal information over the phone or email**. Not your birth date, not your account information, and especially not your social security number. When a stranger calls or emails, claiming to be from a trusted financial institution that you do business with, ask to call them back before you can disclose any information. Before you do call back, look up the website of the financial institution and check to make sure that the number the person gave you matches the one that is listed. Same thing before you hit "reply to" or click on a link in an email.
3. **Talk to a trusted financial advisor** before making any investment decisions. This may be a family member, a friend, or a professional you've come to trust over time. Talking to them about the new investment idea may be a good way to get some feedback and another perspective on whether it is a good idea or not.
4. **Report fraud** if you or someone you know end up experiencing it. File a complaint with the Internet Crime Complaint Center. Post comments on the Better Business Bureau's website. There's no shame in being a victim. The shame belongs solely to the perpetrator(s).

These are good general rules to live by, but are obviously not intended to be exhaustive. If at any point we can be of further help here at Johnson Gasink & Baxter, do not hesitate to contact us.

Johnson, Gasink & Baxter, LLP
1138 Professional Drive
Williamsburg, VA 23185
(757) 220-9800
(804) 824-9690

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