



SENIOR GUIDE TO FIGHTING FRAUD

From the Office of Minnesota Attorney General Lori Swanson

Introduction

The Minnesota Attorney General's Office provides this guide to help alert you to the dangers of consumer fraud directed at older people. Prevention is the most effective way to attack this problem. This guide will inform you about the common scams aimed at seniors and the steps consumers can take to thwart the swindlers.

Fast Facts on Fraud

- Older people comprise almost 14 percent of the population but account for a higher percent of the victims of consumer fraud.
- Telemarketing fraud alone is a \$40 billion a year business.
- Sixty percent of all callers to the National Fraud Information Center describe themselves as senior citizens.
- Scams and frauds conducted by mail and telephone are increasingly coming to you from Canada, Australia, and other countries.

How to Avoid Scams

- Don't do business over the telephone with callers you don't know. That friendly voice on the other end of the line may be a crook.
- Ask for written materials before you commit yourself to any offer.
- Before you send any money, check out the company and its offer with the Attorney General's Office or the Better Business Bureau.
- Don't give your credit card or checking account numbers to someone you don't know.

- Keep your social security number confidential.
- Walk away from a "deal" if you are being pressured to make an immediate decision.

Seniors Are Targeted for Fraud

"Congratulations, you've just won a fabulous prize. You can choose a diamond ring, deluxe vacation for two, or an entertainment center." This seemingly good news might quicken your pulse, but do not let it override your good judgment.

Be skeptical because the prize may never be awarded or may not be worth collecting. Sometimes, you won't know you've been scammed until you see the so-called "prize." For instance, the diamond might be the size of a pinhead, and the vacation for two a certificate for poor lodging and a headache. And the entertainment center? Nothing more than a cheap, plastic toy.

Scam artists from the United States and other countries are working hard to entice you to buy into their bogus claims, charities, lotteries and prizes—all with the hope that you will send money to get your reward. All too often you are giving the reward to the scam artist who gets your money and leaves you with little or nothing.

It is hard to spot fraud when it is happening. The Federal Trade Commission estimates that consumers lose more than \$40 billion a year to telemarketing fraud. And, if you are in "older" consumer, you are a special target for those selling bogus products and services.

People over the age of 65 make up almost 14 percent of Minnesota's population, but disproportionately represent the number of scam victims.

The disproportionate victimization of older people in connection with consumer fraud is partly based on generational and economic factors. Most seniors grew up in an era when business was done on a handshake; unfortunately, crooks are playing on that trust.

The economic consequences older Minnesotans face when defrauded are often devastating. Most seniors in Minnesota live on fixed pensions and about one-fifth of Minnesotans over age 60 depend solely on Social Security for their income. With fixed monthly pension or Social Security checks, it is nearly impossible to replenish bank accounts or money saved for retirement when it is taken by scams.

Con artists use three methods to contact potential victims: phone, mail, or door-to-door sales. Most scams involve a combination of methods. For example, many swindlers will generate leads by mailing a survey to gauge interest in a product or service. Consumers who indicate interest (usually by returning a postcard) are then contacted by telephone, or a traveling salesperson will stop by to make the sales pitch in person.

This guide identifies common scams that target Minnesota seniors, identifies the common warning signs of each scam, and provides information to help you thwart the con artists and protect your assets.

BEWARE: COMMON SCAMS

Scams can be large or small, sophisticated or simple, and come from next door or across the world. But the crooks behind them have two things in common. They want to steal your money, and avoid being caught. Below is a list of common scams. Turn the tables on con artists behind them—report these scams and their perpetrators to the Attorney General’s Office.

Chain Letters

These letters promise instant riches while assuring the recipient that the letter is legal. In fact chain letters are illegal. The promised “payoff” will supposedly come to the participant for continuing the chain. However, this “pyramid” always collapses, creating many losers.

Bank Scams

In the Bank Examiner Scheme, a swindler poses as an FBI agent, a bank examiner, a police officer, or detective. The con artist will ask to meet with you, pretending to need your help with an investigation. You will be asked to withdraw your money and give it to the phony official. The swindler promises to redeposit your money to you, but don’t plan to see the money ever again.

Look-a-Likes

Many con artists set up fake businesses and charities, using the actual or similar names of real businesses and charities. They then try to convince consumers to believe the business is real and get the consumers to send money. Fake or “look-a-like” scams often aim big—they have used well-known names of national organizations.

Work-at-Home

Advertisements are placed in local newspapers and small neighborhood papers promising guaranteed earnings of \$500 or more per week. The tasks vary—stuffing envelopes, preparing mailing lists, and making simple products (such as jewelry or fishing lures). “Up front” money is required to obtain the step-by-step plan. Sometimes the consumers receive nothing for the money they send. Sometimes they receive instructions telling them to duplicate the process by which they were victimized.

Nigerian Schemes

People receive are contacted by mail, fax or e-mail by a person representing himself as a Nigerian “prince,” “chief,” or “doctor.” The letter proposes that the consumer offer his or her bank account to assist the Nigerian transfer money to this country. The amount proposed for this transaction are often \$10,000,000 or more. The consumer is then offered a percentage of the money (as much as 30 percent) for assisting with the transfer of funds. Consumers are asked to pay a tax or fee to prove their honesty. United States Postal Inspectors and Secret Service are trying to stop this scheme which has already taken significant amounts of money from a number of people. The scam may also originate from other countries, but with similar tactics.

Lotteries

When callers or mail solicitations offer you the chance to win a lottery, they are offering you nothing but the chance to be taken. Watch out for lottery scams by recognizing these sure signs of a losing proposition:

- Telemarketers and/or direct mail solicitations sometimes offer the opportunity to win the Canadian, Australian or other foreign lotteries.
- You may be told the odds of winning increase when “group purchases” of lottery tickets are made.
- Credit card numbers or checking account numbers are requested.

Foreign lotteries are illegal in Minnesota and violate state and federal laws. Only lotteries approved by the state of Minnesota are legal.

Home Improvement Scams

If someone offers to do work on your home or lawn at a discount, be wary. When you’ve never had contact with the company or individual before, and you don’t know anything about them, take time to do a little checking. Otherwise you might be getting set up for poor quality work done at a high price. You can detect a home improvement scam by watching for these signs:

- Itinerant sellers with no local connections (check to see if you can read the license plate on the vehicle, and if so, if it’s from out-of-state).
- The person offers to pave the driveway, fix windows, do landscaping, repair the roof or paint your house with what is supposedly “supplies left over from another job.”
- Cash payment is demanded.
- Often the final price is much higher than the initial estimate, requiring you to pay more.
- Work is completed quickly and poorly (although you might not discover how poorly until the workers are long gone).

- A seller who refuses to give you references or a warranty.
- The offer is only good that day. Don't be pressured. Before you allow any work to be done, contact several local contractors for an evaluation and estimate. Compare the bids. Take at least 24 hours to make your decision (any reputable company will give you time to think). Use your time to check into the companies you're considering contracting with. Never pay for work before it's completed. If you think you've been scammed, contact the local police or sheriff's office.

Bogus Charities

Many charities depend on the generosity and donations of individuals. Unfortunately, some crooks take advantage of that generosity. Charity scams are often well disguised, but may be detected by a few common red flags:

- Exorbitant prices are charged for everyday items (for example: a dozen light bulbs for \$84.99).
- Appeals for contributions are designed to look like bills or invoices.
- Little detail is provided about how the charity operates or where the money goes.
- Heart wrenching appeals are used with high pressure tactics to force individuals to make quick decisions.

Before you part with any money, do research. Ask for written information and read it carefully before you give. Find out how your contribution will be used and ask if your donation is tax deductible. Contributions by cash are impossible to trace, so pay by check. If you have doubts about a charity, contact the Charities Division in the Attorney General's Office. Minnesota law requires that all

charities be registered with the Attorney General's Office. You may also wish to contact the Charities Review Council of Minnesota.

“You Have Won” Calls and Mail

An excited salesperson on the other end of the phone or an official looking prize notice in the mail claims you have won a prize. Watch out. Often these prize awards have long and expensive strings attached. You can spot this scam almost right away if you look for these messages:

- The caller or the mail piece tells you, “You have won a prize.”
- You must purchase a product (like magazines), pay a processing fee, or pay taxes.
- Request for a credit card number, checking account number or a social security number.
- Often your money must be sent by overnight delivery to a company in another state or country.

No matter how appealing, hang up the phone or throw away the mail. Never give out your credit card number, checking account number or social security number. Make sure you report the call or mail to the Attorney General's Office.

Investment Fraud

Investment fraud opportunities are presented as a way to increase your fixed income earnings. Crooks are trying to get your money while they convince you they can improve your income. Watch for these signs:

- You get a phone call from someone you don't know. The caller offers you incredible profits, like a “20 percent annual return” or better.

- The business selling the investment opportunity is located out-of-state.
- You must decide and send money quickly; overnight delivery services often are used to get your payment.
- Examples of investments offered include penny stocks, oil and gas leases, precious metals, rare coins, FCC lotteries, and wireless cable.

Do not make investment with anyone over the phone, consult with a trusted financial planner, stockholder or banker for investment advice. Most importantly, never invest money before thoroughly checking into the offer. Check out any phone or mail investment offers by calling the state Department of Commerce.

Medical Equipment and Quackery

When equipment, a treatment, or medicine is hailed as a “stupendous breakthrough” be careful. Often consumers are misled into buying or trying new products or devices with high-pressure sales tactics and elaborate claims. Here is what to watch for to spot a scam:

- A salesperson tells you that today is the only day they are offering a special price.
- A medicine or a product is called a “stupendous breakthrough” to treat an age-old medical problem.
- One “miracle” product supposedly cures a number of different ailments.
- A pushy salesperson pressures you. The salesperson (and often a partner) may stay in your home for a long time, not allow you to confer with others, set up difficult to remove equipment, and push you to sign a long-term contract for thousands of dollars.

Before you buy medical equipment or “break through” products, discuss it with your family or your physician. Their advice will be more sound than the advice of a salesperson you will never see again. Plus, buying may not be your best option. Sometimes it is wise to rent or lease equipment instead. And remember, Minnesota’s Home Solicitation Sales law gives you three days in which to cancel most purchases that you make in your home.

Business Opportunities

Scam artists work hard to sell their business opportunities to you, pitching “opportunities of a lifetime” at seminars, in television and newspaper advertisements, and through mailings. Typical business scams appear legitimate, but share some common characteristics that give them away:

- Seminar speakers, callers or mail solicitation offer recipients the

opportunity to make money with little or no effort.

- Statements regarding the honesty and integrity of a company are bolstered by reports of how long the company or individual has been in business.
- Seminar speakers, callers or mail “guarantee” the safety of your investment and promise significant financial rewards.
- The opportunity is only available to a few people.
- The offer is only good right now, and you must act immediately.

Don’t do business on the phone with people you don’t know. Before committing any money, check out all business opportunities with the Better Business Bureau and the Attorney General’s Office.

Living Trusts

Living trusts organize your financial situation, and living wills spell out your health care wishes. The two are often confused. Scam artists play on the fact that seniors are not familiar

with living trusts, so they advertise presentations at hotels or restaurants or come to your door with information to teach you about financial options, including trusts. Protect yourself. Watch for the following clues:

- A salesperson requests highly personal financial information.
- A salesperson, untrained in the law, tells you you need a trust or makes misleading statements about trusts such as: “A trust will protect your estate from inheritance taxes.”
- Thousands of dollars are charged for boilerplate forms.
- The sales pitch grossly emphasizes the need to avoid probate and grossly exaggerates the estimate of probate cost.

Do not put your financial future into the hands of a door-to-door salesperson. Consult an attorney or financial planner who specializes in estate planning, or contact the Senior Federation legal referral program.

RESOURCES

Minnesota Attorney General's Office

Consumer Division
1400 Bremer Tower
445 Minnesota Street
St. Paul, MN 55101
(651) 296-3353 or 1-800-657-3787
TTY: (651) 297-7206 or
1-800-366-4812
www.ag.state.mn.us

Senior Linkage Line Minnesota Board on Aging

(651) 431-2500
1-800-333-2433
www.mnaging.org

Minnesota Better Business Bureau

(651) 699-1111 or 1-800-646-6222
www.bbb.org

Charities Review Council
(651) 224-7030 or 1-800-733-4483
www.smartgivers.org

Minnesota Department of Commerce

(for banking and securities)
(651) 296-4026

Do-Not-Call List Registration

1-888-382-1222
1-866-290-4236 (TTY)
www.donotcall.gov

Handbook Provides Additional Information

Seniors’ Legal Rights is a comprehensive publication designed to inform older people of their rights on a number of topics ranging, from consumer protection and estate planning to utilities and nursing homes. To order a copy please contact the Attorney General’s Office at (651) 296-3353 or 1-800-657-3787. TTY numbers are: (651) 297-7206 and 1-800-366-4812. The address is: Attorney General’s Office, 1400 Bremer Tower, 445 Minnesota Street, St. Paul, MN 55101.