How to help clients avoid fraud
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Educating clients about scammers typically hasn’t been part of financial advisors’ agendas. Yet a staggering number of Americans have suffered the financial and emotional toll of fraud. Their stories often begin with a call, email or letter that seems important.

Consider a case reported by National Public Radio: A fraudster posing as an IRS agent called a woman named Emma to tell her she owed money. If she didn’t pay up, the caller said, she’d be arrested and lose her home — and she might face prison time. The scammer wanted cash via Western Union or MoneyGram. Over the course of the hour-long call, the phony agent’s changed from helpful to creepy, cruel and taunting.

Fortunately, Emma was not a real victim. She was a researcher from Atlanta-based Pindrop Security, a company that investigates phone fraud. But the call serves as an example of how many victims are targeted, quickly become flustered and feel pressured into following the demands of a fraudster who claims to be an official.

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Seniors may be at particular risk: Research from the Stanford Center on Longevity suggests people may become more vulnerable to fraud as their cognitive function declines. In 2015, one report estimated fraud and financial abuse were costing seniors over $36 billion per year. Particularly as clients prepare for and enter retirement, the education you provide can prove crucial in safeguarding their assets. The following provides a rundown of areas in which you can make a difference.

How fraud affects older victims

- 25% of all fraud victims are 60 or older
- 37% of seniors experience financial abuse in any five-year span
- Seniors who are described as “extremely friendly” lose four times as much to elder financial abuse than those with a more-typical level of friendliness
- Seniors who are thrifty and bargain-driven lose five times as much to fraud
- One telemarketing call per day puts someone at three times as much risk for financial loss than someone who rarely receives such calls

Fraud and financial abuse cost seniors over $36 billion per year
Help clients understand emotional decision-making

One of the primary ways advisors can help clients steer clear of financial predators is to help them understand — and manage — the ways in which emotions can influence their decisions. This point may be of particular significance as clients reach retirement, an emotional milestone that can be fraught with big decisions.

For instance, a scammer may use manipulative messaging to suggest that a deal this good will never come along again, or that a client’s wealth will vanish if they fail to act on this offer. This approach can be surprisingly effective since humans are notoriously poor at predicting what will make them happy — or how they’ll feel after a negative event.⁴

Simply understanding that this dynamic exists, and that it can influence financial decision-making, can help inoculate against it. Encourage clients to think carefully about what makes them happy and their natural ability to cope. With a cool head, people can often see past a fraudster’s high-pressure tactics and make smarter, more balanced decisions.¹⁰

You can also advise clients to take a step back when faced with a compelling offer. Encourage them to bring financial opportunities to you. As a calm, sensible sounding board, you can offer a critical evaluation that helps clients avoid rushing into a regrettable move.
Teach clients about deceptive messaging

Clients who don’t recognize the manipulative methods of a fraudster or false advertising are at greater risk of becoming victims. You can help clients be less vulnerable by educating them about persuasion tactics. If clients understand the difference between fair and unfair tactics, they will be better able to see through deceitful pitches.

Experts at the Stanford Center on Longevity recommend talking to clients clearly and proactively about scams they might encounter in their email inbox or in print and digital advertising. For example, you might ask if your client has ever received an email from an unknown entity seeking bank account details and discuss handling such emails with caution. You could even provide a quick lesson on how to report spam through their email provider.

You can also make clients aware that legitimate businesses will never ask for their full Social Security or Medicare number, and they shouldn’t provide financial information over the phone unless they initiated the call. They should also avoid responding to pleas for money or help from overseas, sweepstakes and “money claim” offers. And while getting on the National Do Not Call Registry isn’t a guarantee that scammers won’t get through, it is a simple step that might prevent at least some fraud attempts from reaching your clients.

It’s not necessary — or perhaps even advisable — to set up a specific meeting just for this purpose. Instead, consider weaving this information into regular conversations with your clients, helping to demystify the topic every time you talk. Be aware, however, that some clients may not initially be willing to listen. Most people don’t believe they could become fraud victims, which can lead them to tune out warnings and practical advice. Unfortunately, ignoring such warnings puts seniors at greater risk of falling prey to deceptive messaging.

To help clients really comprehend their potential vulnerability, share examples of people who have been misled by fraudsters. Fraud research compiled by the Stanford Center on Longevity contains some useful examples of how people are swayed by misinformation. News articles on scammers who made deals with unwitting victims can also provide a good launching point for discussions with clients.
Consider clients’ cognitive abilities

As people age, their memory suffers, they process information more slowly and they are less likely to retain specific details about information they’ve received. So while the majority of older adults function at a very high level, cognitive declines may cause some to become more susceptible to fraudsters — especially those who specialize in exploiting seniors.

When working with older clients, watch for signs of cognitive impairment, such as forgetfulness, confusion and impulsive or poor decision-making. To ensure your message reaches your client, keep your advice simple and easy to understand. Older clients in particular may not be familiar with some of the jargon commonly used to describe scams. For instance, rather than referring to a “phishing” scam, you should simply describe an email scam. After you’ve talked to your clients about fraud, give them a simple, clear handout with tips for avoiding scams that they can refer to later.

Make affirmative recommendations

As people age, they tend to remember positive messaging more than negative — meaning it’s more effective to phrase your advice as “do this” rather than “never do this.” For instance, advise your clients to regularly scan their ordinary bills — such as insurance and credit card statements — for fraudulent charges. This knowledge can help clients be better prepared to protect their finances.

You are an important resource in your clients’ fight against fraud. Encouraging them to reach out for advice when they’re in doubt can strengthen their relationship with you and put them in greater control of their financial security.
Key takeaways

- Financial advisors can play an important role in educating their clients about fraud and helping them avoid becoming victims.

- As people age, their cognitive abilities decline, so older clients may be at greater risk. And some scammers specialize in targeting older victims.

- Prevention begins with talking to your clients about the prevalence of fraud and potential scams.

- Clients should also understand how their emotions can lead them into making poor financial decisions. Let them know that they can call you and talk over any offers they’re considering.

- Encourage clients to put their phone numbers on the National Do Not Call Registry.

- Talk to clients about email scams and explain how to report suspicious emails. Tell them to avoid giving their financial or personal information to strangers who demand it via email or phone.

- Keep your messages to clients, both written and spoken, in plain language that is easy to understand and free of jargon. This is especially important as clients age.

- Encourage clients to keep an eye out for fraudulent charges by routinely scanning their bills for any charges they don’t recognize.

- Older people tend to remember positive messaging more than negative, so phrase your suggestions and advice in an affirmative way, such as “do this” rather than “never do this.”
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6 Ibid.
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