

Keeping Our Kupuna (Seniors) Safe



Department of Commerce and Consumer Affairs

**Office of the Securities
Commissioner**

Investor Education Program

 Visit us at investing.hawaii.gov

Message from the Securities Commissioner

Aloha kupuna,

The largest generation in our nation's history, the Baby boomers, are entering their senior years, and with it, our nation has seen increasing incidents of financial fraud against kupuna. It may be in part due to the sheer number of people and their vast cumulative wealth that make the baby boomer seniors a preferred target. But there is no denying that new technology has added an extra wrinkle to the mix. Fraud against kupuna presents new and unique challenges.

This booklet provides “talk story” examples about investment fraud, ways to protect yourself and where to get help. We hope you find it helpful.

Mahalo,
Hawaii Securities Commissioner

Table of Contents

Common Consumer Scams Against Kupuna.....	3
Steps to Protect Yourself Against Fraud.....	6
Talking Story With Kupuna	7
Ponzi Schemes and Affinity Fraud.....	8
Variable Annuities	11
Resources: Where To Get Help.....	13
Game: Word Search Puzzle.....	17



Common Consumer Scams Against Kupuna

Charity Appeals	You get a call or letter from someone asking for money for a fake charity – either the charity does not exist or the caller was an imposter and the real charity did not call or write to you.
Lottery or Sweepstakes	You get a call or email that you have a chance to win a lot of money through a sweepstakes or lottery. The caller tells you that you need to pay a fee or buy something to get the money. Or the caller says you need to give them your social security number or bank account. Beware, this is a scam.
Free Lunch	Scammers invite you to a free lunch and seminar, and then pressure you to give them information about your money, and to invest the money with them. Beware, free lunches are a way to force you into a face-to-face high pressure sales pitch.
Free Trip	You've won a free trip. But if they ask for a credit card number or advance cash to hold the reservation, be careful. A free trip should be free.

Common Consumer Scams Against Kupuna

Identity Theft	Scammers steal personal information – such as a name, date of birth, social security number, account number, mother’s maiden name – and use the information to steal your identity, empty your bank accounts and open credit cards in your name.
Drug Plans	Scammers pretend they are with Medicare prescription drug plans, and try to sell Medicare discount drug cards that are not valid. Companies with Medicare drug plans are not allowed to send unsolicited mail or email, or make unsolicited phone calls.
Relative in Need	Someone who pretends to be a family member or friend calls or emails you to say they are in trouble and needs you to wire money right away. Don’t wire money to unknown relatives.

Common Consumer Scams Against Kupuna

Fake “Official” Mail	Beware of scammers who send letters or emails that look like they are from a legitimate bank, business, or agency to try to get your personal information or a bank account number. Verify before you respond.
Government Money	You get a call or letter that seems to be from a government agency. Scammers say that if you give a credit card number or send a money order, you can apply for government help with housing, home repairs, utilities or taxes. Verify before you respond.
Home Improvement	Scammers take money for repairs and then they never return to do the work or they do bad work. Sometimes they break something to create more work or they say that things need work when they don't.

Source: Consumer Financial Protection Bureau (CFPB). *Managing Someone Else's Money: Help For Trustees Under a Revocable Living Trust.*

From: http://files.consumerfinance.gov/f/201310_cfpb_lay_fiduciary_guides_trustees.pdf



Steps to Protect Yourself Against Fraud

- 1 Slow it down. Find a way to take the information home and review it slowly. Tell the seller, “I will get back to you.” Don’t fall for the pressure tactic of urgency.
- 2 Thoroughly understand the offer. Ask questions and do your research about the offer and those promoting the offer. Double check the company, the individual, and call BBB Hawaii (1-877-222-6551) or the state Securities Compliance Branch (808-587-2722). Get clear and direct answers before you invest or pay. Get copies of all documents you sign. Don’t rely on reputation or word of mouth alone.
- 3 Understand the costs. Ask about the risks, obligations, and costs of any offer before getting involved. Ask about commissions, sales charges, maintenance or service charges, transaction or redemption fees and penalties associated with the investment.

- 4 Beware of unrealistic promises. Offers of guaranteed high returns in a short period of time are not realistic. If it's too good to be true, it probably is.
- 5 Take the emotion out of the equation. Scammers use emotions to confuse targets. They use feelings of friendship, pressure of financial fear, deep desires for security and so much more to lure targets into making bad financial decisions. Don't fall for it. Try to review offers without overwhelming emotions.
- 6 Just say no. Don't be afraid to say "no."

Talking Story with Our Kupuna

Our kupuna are preferred targets of fraud. Seniors tend to have more financial assets and better lines of credit. Many kupuna have saved for decades and have more free time for scammers to approach them. Some have physical impairments that scammers can leverage and exploit. Here are some stories about investment fraud, followed by tips to help you deal with these kinds of scams.

Ponzi & Affinity Fraud

Tutu was a widow who had worked her whole life as a secretary and who also inherited a small nest egg from her late husband. She had been saving a long time but didn't have quite enough to take care of her needs and help her children. One day, she was approached by the head of her community center, Keoni. Keoni was a friendly and trustworthy man. He said he knew she was financially struggling and he said he could help.

Keoni told Tutu to invest in his cousin's new business and he promised her 10% returns every month so that she would have enough money to help her children. Keoni told her she could ask the other long-time community center seniors about his offer because many of them had invested and made money. Sure enough, when Tutu asked her friends at the center, many vouched for Keoni and said they had invested too and even received interest regularly. Keoni also told her this was a very secret special deal only for his favorite seniors at the community center so she should not tell anyone outside of the centers about it. When she asked how the business worked, he said it was too complicated to explain and that she should just trust him.

Ponzi & Affinity Fraud Continued...

Tutu gave Keoni \$10,000. After a few months, she received a little interest back but it wasn't the promised 10%. When she asked Keoni about it, he ignored her. After 6 more months, Keoni left the community center. When Tutu tried to get her money back, she found out that Keoni had convinced almost everyone in the center to invest and no one at the center could get their money back. In the end, it turned out Keoni had never invested money in any business. Instead, he had run a Ponzi scheme where he took some of the new investors' money to pay off a little bit of interest to the earlier investors just to make them think that there really was a business. He spent the rest of the money on his own personal expenses. He committed affinity fraud: he used friendships in a tight community to get Tutu and others in the group to invest in his Ponzi scheme.

Tutu filed a complaint with the Office of the Securities Commissioner and the Office started an investigation and legal action to try to get some of her money back.



Helpful Tips



Never make an investment solely based on the reputation of or “friendship” with a member of a group to which you belong.



Beware of investment opportunities that sound too good to be true.



Do not let a “friendship” stop you from getting the offer in writing and asking hard questions.



Be suspicious if you are told NOT to share details of the investment with people outside of the group or to keep the investment opportunity confidential.



Understand exactly how the investment works.



Don’t be pressured or rushed into buying.



Use common sense – just because someone you know made money or claims to have made money doesn’t mean you will make money too.

Variable Annuities

Grandpa was 82 years old and attended a delicious free lunch where a man named John introduced everyone to an investment opportunity to purchase variable annuities. Grandpa didn't know much about variable annuities, but John, the investment adviser and salesperson, told Grandpa to pay some money now and in return, Grandpa would receive a monthly payment for life! John was so nice, Grandpa just couldn't say no. John started to visit Grandpa at home regularly and would make time to talk to Grandpa about the family, bring manapua and snacks and make Grandpa feel he had a friend. John asked Grandpa to give him his social security number and sign blank forms to buy \$75,000 in variable annuities. John reassured Grandpa that he would take care of everything and that Grandpa didn't need to worry about anything.

A couple months later, Grandpa needed money to pay for Grandma's medical bills. When he tried to get money out of his variable annuity, he found out John had sold him a variable annuity that was locked up for 10 years.



Variable Annuities Continued...

Grandpa would have to wait until he was 92 to get his money back or face a 40% penalty for early withdrawal.

Grandpa needed the money and so he took a 40% loss on his life savings. He lost \$30,000 because John had sold him a product that was totally wrong for a 82 year old man.

Grandpa had no record of what he bought, didn't know what he signed and had no idea he'd be locked in and penalized.

Grandpa called the Office of the Securities Commissioner to file a complaint and start an investigation.

Checklist: Protect your investments

- Ask about penalties if you need your money back. You may need it for unexpected expenses like medical bills or in-home care.
- Ask about any lock-up period. If you are 70, you shouldn't be sold an investment that locks up your money for 10 years.
- Request a copy of the final signed document before handing over any money.

Checklist: Protect your investments continued...



Understand it before you buy it. Never be embarrassed to ask questions. If it's too confusing to understand, don't buy.



Keep all of your records relating to your investments and instructions, including notes of conversations you have with brokers, salespeople, financial advisers, and the like.



For help or to report fraud, call the Hawaii Office of the Securities Commissioner at (808) 586-2740.

Resources: Where To Get Help

BETTER BUSINESS BUREAU OF HAWAII, INC.

1132 BISHOP STREET, SUITE 615, HONOLULU, HI 96813

PHONE: (808) 536-6956

HOTLINE: (808) 628-3950

TOLL-FREE: 1-877-222-6551

FAX: (808) 628-3970

WEBSITE: BBB.ORG/HAWAII

Resources: Where To Get Help

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

Office for the Older American

1625 EYE STREET, NW, WASHINGTON DC 20552

PHONE: (202) 435-7121

TOLL FREE: (855) 411-2372

WEBSITE: CONSUMERFINANCE.GOV

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (DCCA)

Business Registration Division (BREG)

Office of the Securities Commissioner (OSC)

335 MERCHANT STREET, SUITE 203, HONOLULU, HI 96813

SECURITIES FRAUD HOTLINE: (808) 587-2267

TOLL-FREE: 1-877-447-2267

WEBSITE: INVESTING.HAWAII.GOV

DEPARTMENT OF HEALTH

Executive Office on Aging

Senior Medicare Patrol (SMP) Hawaii

No. 1 Capitol District, 250 S. Hotel Street, Suite 406, Honolulu, HI 96813

PHONE: (808) 586-7319

TOLL-FREE: 1-800-296-9422

WEBSITE: SMPHAWAII.ORG

DEPARTMENT OF HEALTH

Hawaii Aging and Disability Resource Center (ADRC)

PHONE: (808) 643-2372

WEBSITE: HAWAIIADRC.ORG

Resources: Where To Get Help

DEPARTMENT OF HEALTH

Senior Medicare Patrol (SMP HAWAII)

PHONE: (808) 586-7281

TOLL-FREE: 1-800-296-9422

WEBSITE: SMPHAWAII.ORG/

EMAIL: EOA@DOH.HAWAII.GOV

DEPARTMENT OF THE ATTORNEY GENERAL

Criminal Justice Division

Medicaid Fraud Control Unit (MFCU)

333 QUEEN STREET, 10TH FLOOR, HONOLULU, HI 96813

PHONE: (808) 586-1058

FAX: (808) 586-1077

WEBSITE: AG.HAWAII.GOV/CJD/

WEBSITE: AG.HAWAII.GOV/CJD/MEDICAID-FRAUD-CONTROL-UNIT/

DEPARTMENT OF THE ATTORNEY GENERAL

Tax and Charities Division

425 QUEEN STREET, HONOLULU, HI 96813

PHONE: (808) 586-1480

FAX: (808) 586-8116

WEBSITE: AG.HAWAII.GOV/TAX

CHARITIES REGISTRY: AG.EHAWAII.GOV/CHARITIES

Resources: Where To Get Help

DEPARTMENT OF HUMAN SERVICES (DHS)

Adult Protective and Community Services Branch

OAHU: 420 WAIAKAMILO ROAD #202, HONOLULU, HI 96817

PHONE: (808) 832-5115

FAX: (808) 832-5391

EMAIL: SSDOAHUAPCS@DHS.HAWAII.GOV

EAST HAWAII: 1055 KINOOLE STREET #201, HILO, HI 96720

PHONE: (808) 933-8820

FAX: (808) 933-8859

EMAIL: SSDEASTHIPCS@DHS.HAWAII.GOV

WEST HAWAII: 75-5995 KUAKINI HIGHWAY #433, KAILUA-KONA, HI 96740

PHONE: (808) 327-6280

FAX: (808) 327-6292

EMAIL: SSDWESTHIPCS@DHS.HAWAII.GOV

KAUAI: 4370 KUKUI GROVE STREET #203, LIHUE, HI 96766

PHONE: (808) 241-3337

FAX: (808) 241-3470

EMAIL: SSDKAUAIPCS@DHS.HAWAII.GOV

MAUI: 1773-B WILI PA LOOP, WAILUKU, HI 96793

PHONE: (808) 243-5151

FAX: (808) 243-5166

EMAIL: SSDMAUIPCS@DHS.HAWAII.GOV

WEBSITE: HUMANSERVICES.HAWAII.GOV/SSD/HOME/ADULT-SERVICES/

Word Search

T F R A U D E T I E M A E D R
M N V N A B X F I B T C P N E
H S E N R V X D A R R C K A S
J I J M K A E L O S Y D G T E
G T J A T N W P O J E K B S A
S N O I T S E U Q K S A E R R
X V S I S R E L V A U I P E C
R Y T E I S M V V A T A O D H
C Y X M M O C C N I S N N N M
S R O I N E S A R I Q U Z U I
J V Z E F Z H U M J J P I G R
C W Y W R S C C N S U U N X E
K K F K Q E E R S Z A K X F L
T K T X S A F F I N I T Y L N
T F E H T C A S W S O J U W R

AFFINITY

ASK QUESTIONS

DCCA

FRAUD

IDENTITY

INVESTMENT

KUPUNA

MONEY

PONZI

REPORT

RESEARCH

SAFE

SCAMS

SCHEMES

SECURITIES

SENIORS

THEFT

UNDERSTAND

Office of the Securities Commissioner

WE REGULATE: The Compliance Branch is responsible for registration of securities professionals. Call us to check the background of your financial adviser or sales agent.
(808) 586-2722.

WE PROTECT: The Enforcement Branch receives and investigates complaints about investment fraud and other securities violations. We take legal action against violators of securities laws. Call us to report investment fraud or file a complaint:

Toll free 1-877-HI SCAMS (1-877-447-2267)
Oahu (808) 587-2267.


WE EDUCATE: Call the Investor Education Program for free educational material, to schedule a free presentation or request a community exhibit.
(808) 587-7400.




Visit us at investing.hawaii.gov

For more information, please contact:

Office of the Securities Commissioner

 335 Merchant Street, Suite 203
Honolulu, HI 96813

Call to report investment fraud:

 1-877-447-2267

 Visit us at investing.hawaii.gov

   /HISecurities

**This booklet was brought to you as part of the kupuna
outreach efforts sponsored by Act 152 of 2014.**

Answer Key Word Search

T F R A U D E T I E M A E D R
M N V N A B X F I B T C P N E
H S E N R V X D A R R C K A S
J I J M K A E L O S Y D G T E
G T J A T N W P O J E K B S A
S N O I F S L U Q K S A E R R
X V S I S R E L V A U I P E C
R Y L E I S M V V A T A D D H
C X M M O C C N I S N N N M
S R O I E S A R I Q U Z U I
J V Z E F Z H U M J J P I G R
C W Y W R S E C N S U J N X E
K K F K Q E E R S Z A K X F L
T K T X S A F F I N I T Y L N
T F E H T C A S W S O J U W R