Call the Office of the Securities Commissioner to report investment fraud in Hawaii

1-877-447-2267

This booklet was created as part of Kupuna outreach efforts in accordance with Act 152 of 2014.

Answer Key for Word Search

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

Department of Commerce & Consumer Affairs
Office of the Securities Commissioner

Booklet © State of Hawaii 2017
Message from the Office of the Securities Commissioner

As you know, we are faced with new challenges every day. This booklet was created to help you understand some of the frauds and scams that may be a threat to you, our Kupuna (seniors). It also provides steps you can take to protect yourself from fraud and resources you can turn to for help.

The main focus of our booklet is on financial and investment frauds, which continue to be a growing problem. Every year, victims are scammed out of millions of dollars. Kupuna, especially in Hawaii, are a target for con artists because they tend to have a trusting nature and a large nest egg. Often times, the “con artist” turns out to be someone that the victim knew and trusted. Don’t let a greedy con artist take your hard-earned money!

We hope you find our booklet helpful. If you have any questions or would like to request additional copies, please feel free to contact our Investor Education Program at (808) 587-7400 or visit our website at investing.hawaii.gov.

Contact Information: Office of the Securities Commissioner

WE REGULATE: The Securities Compliance Branch is responsible for the registration of securities, broker-dealers and their sales agents, investment advisers and their representatives. Call to check registration (808) 586-2722.

WE PROTECT: The Securities Enforcement Branch receives and investigates complaints about investment fraud and other securities violations. We take legal action against violators of securities laws. Call to file a complaint or to report investment fraud (808) 586-2740.

WE EDUCATE: Call the Investor Education Program for free investor education materials or to schedule a presentation (808) 587-7400.

Visit us at investing.hawaii.gov

HiSecurities
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
C W Y W R S C C 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

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# Common Consumer Scams Against Kupuna

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<tr>
<th>Scam Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Charity Appeals</strong></td>
<td>You receive 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.</td>
</tr>
<tr>
<td><strong>Lottery or Sweepstakes</strong></td>
<td>You receive a call or email saying that you have a chance to win a large sum of money through a sweepstakes or lottery. You are told that you need to pay a fee, make a purchase, or that you need to give them your social security number or bank account number in order to get the money. Beware, this is a scam.</td>
</tr>
<tr>
<td><strong>Free Lunch</strong></td>
<td>Scammers invite you to a free lunch and seminar, then pressure you to invest money with them or to provide them with your personal or financial information. Beware – “free” meals are a tactic to force you into a face-to-face high pressure sales pitch.</td>
</tr>
<tr>
<td><strong>Free Trip</strong></td>
<td>You receive notice that you’ve won a free trip. But if you’re asked for a credit card number or cash advance to hold the reservation, be wary. A free trip should be free.</td>
</tr>
</tbody>
</table>

# Resources: Where To Get Help

**DEPARTMENT OF HUMAN SERVICES (DHS)**
**Adult Protective and Community Services Branch**

**OAHU:** 420 WAIKAMILO 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) 241-3476  
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/
Resources: Where To Get Help

DEPARTMENT OF HEALTH
Hawaii Aging and Disability Resource Center (ADRC)

PHONE: (808) 643-2372
WEBSITE: HAWAIIADRC.ORG

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

Common Consumer Scams Against Kupuna

<table>
<thead>
<tr>
<th>Identity Theft</th>
<th>Scammers steal personal information – such as your name, date of birth, social security number, account number, or mother’s maiden name to steal your identity, empty your bank accounts and open credit cards in your name.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacies</td>
<td>Scammers pretend they are from Medicare prescription drugplan companies 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.</td>
</tr>
<tr>
<td>Relative in Need</td>
<td>Someone pretends to be a family member or friend and calls or emails you to say that they are in serious trouble and that they need you to wire money to them right away. Don’t wire money to unknown relatives.</td>
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<tr>
<td>Common Consumer Scams Against Kupuna</td>
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<tr>
<td><strong>Fake “Official” Mail</strong></td>
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<tr>
<td>Beware of scammers who send letters or emails that look like they are from a legitimate bank, business, or agency trying to get your personal information or bank account number. Verify before you respond.</td>
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<tr>
<td><strong>Government Money</strong></td>
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<tr>
<td>You receive a call or letter that appears 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.</td>
<td></td>
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<tr>
<td><strong>Home Improvement</strong></td>
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<tr>
<td>Scammers collect 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.</td>
<td></td>
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</tbody>
</table>


<table>
<thead>
<tr>
<th>Resources: Where To Get Help</th>
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<tbody>
<tr>
<td><strong>CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)</strong></td>
</tr>
<tr>
<td>Office for the Older American</td>
</tr>
<tr>
<td>1700 G STREET, WASHINGTON DC 20552</td>
</tr>
<tr>
<td>PHONE: (202) 435-7121</td>
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<tr>
<td>TOLL FREE: (855) 411-2372</td>
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<tr>
<td>WEBSITE: CONSUMERFINANCE.GOV</td>
</tr>
<tr>
<td><strong>DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (DCCA)</strong></td>
</tr>
<tr>
<td>Business Registration Division (BREG)</td>
</tr>
<tr>
<td>Office of the Securities Commissioner (OSC)</td>
</tr>
<tr>
<td>335 MERCHANT STREET, SUITE 203, HONOLULU, HI 96813</td>
</tr>
<tr>
<td>SECURITIES FRAUD HOTLINE: (808) 587-2267</td>
</tr>
<tr>
<td>TOLL-FREE: 1-877-447-2267</td>
</tr>
<tr>
<td>WEBSITE: INVESTING.HAWAII.GOV</td>
</tr>
<tr>
<td>EMAIL: <a href="mailto:IEP@DCCA.HAWAII.GOV">IEP@DCCA.HAWAII.GOV</a></td>
</tr>
<tr>
<td><strong>DEPARTMENT OF HEALTH</strong></td>
</tr>
<tr>
<td>Executive Office on Aging</td>
</tr>
<tr>
<td>Senior Medicare Patrol (SMP) Hawaii</td>
</tr>
<tr>
<td>NO. 1 CAPITOL DISTRICT, 250 S. HOTEL STREET, SUITE 406, HONOLULU, HI 96813</td>
</tr>
<tr>
<td>PHONE: (808) 586-7319</td>
</tr>
<tr>
<td>TOLL-FREE: 1-800-296-9422</td>
</tr>
<tr>
<td>WEBSITE: SMPHAWAI.I.ORG</td>
</tr>
<tr>
<td>EMAIL: <a href="mailto:EOA@DOH.HAWAII.GOV">EOA@DOH.HAWAII.GOV</a></td>
</tr>
</tbody>
</table>
Checklist: Protect Your Investments

☑️ Understand the investment before you buy. Never be embarrassed to ask questions. If something is too confusing, don’t buy.

☑️ Keep all records relating to your investments, including signed documents, statements, and notes of conversations you have with brokers, agents, financial advisers, and the like, and any other information relating to your investment.

☑️ 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

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. 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. Double check the company and the individual, by calling the Securities Compliance Branch at **(808) 587-2722**.

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 emotion out of the equation.** Scammers use emotions to confuse their targets. They use friendship and/or fear to pressure you into making bad financial decisions. Don’t fall for it. Review offers without involving emotions.

6. **Just say no.** Don’t be afraid to say “no.”

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**Talking Story with Our Kupuna**

Our kupuna are preferred targets of fraud. Kupuna tend to have more financial assets and better lines of credit. They also have more free time for scammers to approach them. Some Kupuna have physical impairments that scammers leverage and exploit. Here are some stories about investment fraud, followed by tips to help you protect yourself against these kinds of scams.

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**Variable Annuities**

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

Grandpa had no record of what he bought. He didn’t know what he signed and he had no idea his money would be locked up and penalized for early withdrawals.

Grandpa called the Office of the Securities Commissioner where he filed a complaint and an investigation was started.

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**Checklist: Protect Your Investments**

- Ask about penalties for early withdrawals. You may need your money back sooner to cover unexpected expenses like medical bills or in-home care.
- Ask if there’s a 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.
Variable Annuities

Grandpa was 82 years old and attended a free lunch seminar 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 agent, told Grandpa to invest 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 like 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 that John had sold him a variable annuity that was locked up for 10 years.

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

Ponzi & Affinity Fraud

Tutu was a widow who had worked her whole life as a secretary and she also inherited a small nest egg from her late husband. She had been saving for a long time but didn’t quite have enough to take care of her needs and help her children. One day, she was approached by Keoni, the head of her community center. Keoni was a friendly and seemingly trustworthy man. He knew she was struggling financially and 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 other 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 and 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 the center about it. When she asked how the business worked, he said it was too complicated to explain and that she should just trust him.

Continued →
Ponzi & Affinity Fraud

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 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 could get their money back.

In the end, it turned out Keoni had never invested the seniors’ money in any business. Instead, he ran a Ponzi scheme where he took some of the new investors’ money to pay off a little bit of interest to the earlier investors to make them think that there really was a business. He spent the rest of the money on his own personal expenses. He also committed affinity fraud by taking advantage of 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. The office conducted an investigation and took legal action to try to get some of her money back.

Helpful Tips

- Never make an investment solely based on reputation 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 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.