

From the Desk of the Attorney General:

To Michigan's Seniors,

As the Attorney General, I have heard countless stories of financial abuse against members of our senior population, ranging from sweepstakes offers to scams involving home medical equipment. Fast-talking telemarketers, phony charities, fly-by-night home repair contractors and shady investment "advisors" prey on seniors.

While my office prosecutes many companies and individuals that commit such crimes, we can't stop these criminals without your help. Education and awareness is key, which is why I am pleased to present this "Senior Brigade Guide" which highlights many of the most common scams and crimes aimed at seniors. While scams may appear in different forms, this Guide will help you to spot the common warning signs in order to protect yourself and your loved ones.

This booklet also provides useful information about living trusts, pre-need burial and funeral contracts, lets you know how we can help with medical insurance problems, and advises you how to reduce telemarketing calls and junk mail.

There are a number of other free publications which can be obtained by visiting our website, www.michigan.gov/ag or by calling us toll-free at 1-877-765-8388.

I urge you to read this Guide carefully to help ensure your "golden years" are more enjoyable.

Sincerely,

MIKE COX
ATTORNEY GENERAL

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CONSUMER SCAMS

Common Scams

Florence got a phone call from a man who said he was an officer of her bank. He said he needed to verify her account information in order to install new security measures. Florence got her checkbook and read her account number to him. A few days later, she discovered that money was missing from her checking account. The man who had called was not with her bank at all, and her bank said it would never call customers over the phone and ask them to “verify” account numbers.

Florence fell for one of the oldest scams around. Con artists are always developing new ways to get your money—but most use variations of "successful" scams that have been used before. Here are some examples of common scams that you may run into:

The Bank “Investigation”:

In this scam, a caller poses as a bank examiner, FBI agent or police detective who needs your assistance with an investigation. The caller asks you to go to the bank and withdraw some money and give it to the phony official. The scammer promises to redeposit the money but you will never see the money, or the con artist, again.

Work-at-Home Offers:

Companies advertise a way to make hundreds of dollars a week working at home. The task may be cashing checks, stuffing envelopes, preparing mailing lists, making craft projects, or preparing doctor’s bills. In the check cashing scenario, you may unwittingly be cashing bogus checks. Other work-at-home situations require a fee in advance for an instructional kit, supplies or software. You’ll receive worthless information and realize it would be impossible to make any money. Research any potential business opportunities thoroughly before investing. Michigan law requires sellers of business opportunities to register with the Attorney General's office. There are also federal rules governing the types of disclosures that must be provided to consumers thinking about buying a business opportunity. To check to see if a seller of a business opportunity is registered in Michigan, call the Attorney General's office at 1-877-765-8388. For more information on business opportunities and work-at-home scams, visit the Federal Trade Commission's website at www.ftc.gov.

Credit Card Fraud Protection Scams:

A telephone caller pretending to represent your credit card company tells you that you need to buy credit card fraud protection. The caller says that computer hackers could access your credit card number and make thousands of dollars of charges, which you would be liable for. This is a lie - under federal law, consumers who report unauthorized charges on their credit cards are not liable for more than \$50.

Advance-Fee Loan and Credit Card Scams:

A newspaper or TV advertisement seems to offer a guaranteed loan or a credit card for anyone, no matter how bad their credit. When you call the number, you are told to pay a fee first, perhaps as much as \$200. However, the company later notifies you that you didn't qualify for the loan or credit card after all. When you try to get in touch with the company, you are unable to do so and are out the money you paid.

International Lottery Scams:

You receive a letter or phone call promising to buy tickets in a lottery of another country, such as Canada or Australia. These offers are always scams. It is against U.S. law to buy or sell tickets to foreign lotteries by phone or mail. Consumers who fall for these scams sometimes get "suckered" two or three times. If you agree to send money to buy tickets, you may get a call later saying that you have won a large jackpot, and need to send more money to pay taxes on your winnings or to pay a small fee for currency conversion. Of course, the lottery tickets were never even purchased, and there is no jackpot.

Foreign Dignitary Schemes:

A letter, fax or e-mail arrives from someone who claims to be a foreign government executive, prince or doctor. This person says he needs to transfer a large amount of money, perhaps millions of dollars, to the United States. The letter proposes that you allow the money to be transferred to your account, in exchange for a percentage of the money. You are at risk of losing all the funds in your bank account if you give the con artist your account information. If you receive such an offer through the U.S. mail, report it to the postal inspector. E-mail offers should simply be deleted.

Phishing:

You receive a communication that appears to be from a trustworthy entity (i.e., your bank, government agency, credit card company) asking for personal information such as your Social Security number (SSN), bank account number, password and/or personal identification number (PIN), or credit card number. This form of identity theft is known as phishing (pronounced “fishing”), and can lead to substantial financial loss, ruined credit, prevention of account access, and the creation of accounts in your name. To prevent this from happening to you, make sure to read the “Identity Theft” chapter of this guide.

Keep in mind these three key signs of a potential fraud:

- \$ You are contacted by a stranger;
- \$ You are offered a “great” deal;
- \$ You must act right away.

When you are contacted under these circumstances, the best advice is to just say “NO.” And remember – NEVER provide personal information to ANYONE who calls you, or to someone in response to an e-mail request.

Sweepstakes

Soon after Irvin sent in a sweepstakes entry, he began to receive many other sweepstakes mailings that implied he was close to being a grand prize winner. Thinking he could increase his odds of winning, he began buying books, magazines and other products through these sweepstakes. He spent \$1,500 but never won anything.

Before you respond to a sweepstakes mailing or telephone call that says you are their “guaranteed winner,” ask: What’s in it for them?

The truth is, sweepstakes are not trying to *give* you money - they’re trying to *get* your money. The only aim of their mailings and telephone calls is to get you to buy products. Fraudulent prize promotions want to trick you into paying for a “processing fee” or to pay by calling a “900” number. Too often, seniors on fixed incomes are lured by the hope of winning a sweepstakes into buying products they don’t need or paying excessive fees. Some people even lose their life savings because they become addicted to entering sweepstakes, ordering merchandise in the mistaken belief that it will increase their chances of winning. They can’t stop because they don’t want to lose what they’ve “invested.” They continue to receive mailings and phone calls that suggest they are close to winning. In reality, their chances of winning a legitimate sweepstakes are very small, and there are many fraudulent sweepstakes that either don’t award any prizes, or offer gifts that turn out to be almost worthless.

- \$ Don’t be pressured into buying anything through a sweepstakes. A sweepstakes must tell you that “No purchase is necessary.” By law, you can enter and have an equal chance of winning without buying anything.
- \$ Be skeptical if a call or letter tells you that you are almost "surely the winner" or that you are "very close to winning." The truth is that thousands of people are getting the same phone call and mail. Your chances of winning are very small.
- \$ Never send money to pay for "taxes," "shipping costs," or "processing fees." Prize winners pay taxes to the Internal Revenue Service, not to sweepstakes promoters.
- \$ Be aware that a request to send money by courier or overnight delivery is a sign of a scam.
- \$ Be wary of sweepstakes that have a name similar to, but not quite the same, as a well-known national charity.

Charities

Esther received a phone call from a charity that had a name similar to a national cystic fibrosis organization. Touched by the thought of helping children, she agreed to make a donation. Later, she saw a news report that the organization was not the charity she thought it was, but a scam operation.

The generosity of seniors makes them a favorite target of charity scams. To make the best use of your charitable dollars, always follow these three rules:

- \$ Never agree to give money over the phone. Never give credit card or other personal information to a telephone solicitor. Ask the caller to send written information about the charity and read it before making your decision.
- \$ Call the Michigan Attorney General's Office, Charitable Trust Section at (517) 373-1152, or visit the Attorney General's webpage at <http://www.michigan.go/ag>, to find out if the charity is registered in Michigan, as required.
- \$ Find out what percentage of your donation goes to the charity's mission. Some charities use paid fund-raisers to make their phone calls, and the fund-raisers can keep a portion of your gift as their fee. You might choose instead to send your check directly to the charity.

Remember to BEWARE when you are asked to donate to a charity and the following methods are used:

- B**ills or invoices sent to you even though you never pledged money to the organization.
- E**vasive, vague, or unresponsive answers to specific questions about the charity and how money is used.
- W**ords making up a charity's name that closely resemble a more well-known charity.
- A**llowing no time to reconsider your pledge; they insist on collecting your donation immediately.
- R**efusal to answer questions about where your money will go, refusal to send information about the charity, or refusal to provide a receipt.
- E**motionally appeals and high-pressure tactics to get you to make a quick decision or feel guilty about not contributing.

Identity Theft

Walter received a phone call from an auto finance company that said it was going to repossess his truck. Walter did not own a truck. He found out that someone using his name and Social Security number had applied for a car loan and had never made the payments. He also found out this same stranger had opened up two credit accounts in Walter's name and charged thousands of dollars.

When someone else uses your name, Social Security number, bank account number, credit card number, or any other personal identifying information to commit fraud, it's called identity theft. The imposter may open credit accounts, get a driver's license or rent an apartment in your name, and wreak havoc with your finances. An identity thief may even rack up criminal charges or declare bankruptcy in your name.

You should suspect identity theft if: you receive a letter from a bank or creditor confirming your recent change of address—and you haven't moved; you receive a call or letter stating that you have been approved or denied credit for which you never applied or a collection agency says it is trying to collect on an account that you didn't open.

To reduce your vulnerability of becoming a victim of identity theft:

- \$ Don't give personal information over the phone, through the mail, or on the Internet unless you've initiated the contact. Thieves lie to trick you into disclosing information so don't hesitate to end the communication and if necessary initiate follow-up at a number or address you know to be accurate (i.e., the number you find in the phone book or on your billing statement).
- \$ Treat your mail and trash carefully. Place outgoing mail in secure collection box and promptly remove mail from your mailbox.
- \$ Tear or shred private records including charge receipts, credit applications, insurance forms, physician statements, checks and bank statements, expired charge cards that you're discarding, and credit offers. Also shred anything that has your Social Security number or an account number.
- \$ Stop mail credit offers by calling toll-free 1-888-567-8688 or visiting www.optoutprescreen.com. You will be asked to provide your Social Security number so the consumer reporting companies can match your request with your file. These systems are automated, so you won't be able to speak to an operator when you call.
- \$ Carefully and promptly review statements and bills for unauthorized charges or fraudulent use. Make a written report of any problems.
- \$ Don't carry your Social Security card or number; instead leave it in a secure place.

- \$ Don't leave personal information where others can see it, particularly if you have roommates, employ outside help, or are having work done in your home.
- \$ If you need to order check refills, instead of having your checks mailed to you, pick them up at your bank or credit union.
- \$ Limit the information on personal checks. Your middle name, phone number, Social Security number and driver's license number do not have to be on your checks.
- \$ Keep a secure master list or photocopies of all important identification and account numbers – driver's license, Social Security card, credit cards, bank and utility account numbers, expiration dates, and the phone numbers of the customer service fraud departments of your card issuers. Keep in a safe place but not your purse, wallet, or a car – so that you can respond quickly in case your identification is lost or stolen.
- \$ Check your credit reports every four months. Use the form attached at Appendix B if you wish to do so by mail. You may instead order by phone toll-free 1-877-322-8228 or online at www.annualcreditreport.com. You are entitled to one free report from each of the three credit reporting agencies each year. Remember to request that only the last four digits of your Social Security number appear on your report.
- \$ If you do not think you will need to apply for credit in the near future, you may also wish to consider adding a "security freeze" to your credit reports. A "security freeze" essentially locks, or freezes, your credit reports – that means that potential creditors and other third parties will not be able to get access to your credit report unless you temporarily lift the freeze. For more information on how to place security freezes on your credit reports, please see the Attorney General's Consumer Alert entitled "Security Freeze Information for Michigan Consumers", available at www.michigan.gov/ag.

If you discover that someone is using your identity fraudulently, immediately report it to one of the consumer reporting companies: Equifax: 1-800-525-6285; Experian 1-888-397-3742; or TransUnion: 1-800-680-7289. The company you call is required to contact the other two companies. Also close the accounts that have been tampered with or opened fraudulently, and file a report with your local police. These and other steps are detailed in the Federal Trade Commission's publication, "Take Charge: Fighting Back Against Identity Theft" available at www.ftc.gov/idtheft.

Home Improvement Scams

Harriet noticed a leak in her living room ceiling and called a plumber. The plumber told her that all her bathroom pipes were broken and needed to be replaced, at a cost of \$1,500. He said she risked an electrical fire if she didn't have the work done. She sought a second opinion. The other plumber found that the problem was only some failed caulking around the bathtub.

Home repair fraud is often aimed at senior citizens. Unscrupulous repair persons sometimes use scare tactics to pressure people to have unnecessary, expensive repairs made. They overcharge for shoddy work, or take money and then never show up to do the work.

One of the most common kinds of home repair fraud involves offers from transient work crews. Strangers knock on your door and say they've been working in your neighborhood and have some extra material left. They offer to seal your driveway or fix your roof for a discount, but they take your money and then disappear.

Another scam involves strangers who knock on your door and offer to do a free inspection of your furnace, chimney, or drinking water. Once inside, they pretend to find a serious health or safety problem requiring expensive repairs. Even worse, they may only be trying to get inside your home to steal money or valuables from you.

Be cautious when they demand cash payment or indicate the offer is only good for that day. Don't let yourself be pressured.

It's best to say no thanks to these unsolicited offers, and to not open your door to strangers. Instead, get recommendations for home improvement companies from satisfied friends and neighbors.

- \$ Shop around for a contractor, getting price estimates from several. When requesting an estimate, ask if there is a charge. A smart shopper would also get two or more references on each contractor.
- \$ Get references to see if the work was done properly, on schedule and at the agreed price.
- \$ Insist on a detailed contract. The contract should include: a specific description of the work to be done, materials, labor cost, timetable, payment schedule, start/ending completion dates, names of subcontractors, warranty agreements, and clean up and financing arrangements.

\$ Check to see if the contractor has been disciplined or if the license has been suspended or revoked. Builders and contractors are licensed by the Licensing Division of the Bureau of Commercial Services, Michigan Department of Labor & Economic Growth. You may visit the Licensing Division's website, at www.michigan.gov/dleg, and click on the links for "Commercial Services & Corporations" and then "Licensing Services." You can also reach the Licensing Division at 1-517-241-9202.

The Bureau's [home page for Residential Builders, Maintenance and Alteration Contractors](#) provides general information on issues relating to builders' licenses, including additional tips for consumers.

Consumers may visit the Bureau of Commercial Services' website to [verify current license status and check for prior disciplinary action](#). If possible, use the builder's license number as well as the name of the builder and the business name.

[Decisions issued in response to formal complaints](#) are also accessible online.

If you would like to file a complaint against a builder, or check to see if there are complaints about a specific builder, you may also call the Enforcement Division at 1-517-241-3202 or write to:

Bureau of Commercial Services
P.O. Box 30018
Lansing, MI 48909

Remember:

Always check a home improvement contractor's license and complaint history by calling the Attorney General's Consumer Protection Division, at 1-877-765-8388, and the Bureau of Commercial Services, at 1-517-241-3202.

Travel Scams

Hector and Sonia signed up to win a “free trip” at a local fair. A short time later, they received a phone call saying they had won the trip. To claim it, they had to attend a presentation about a travel club. The salesman said the club would let them stay at nice resorts year after year at very little cost, after they paid the initial membership fee. After a long, high-pressure sales talk, they agreed to join and wrote a check for \$2,500. They quickly regretted it. Their free trip was a weekend stay at a run-down hotel in Las Vegas. They tried to use their membership to arrange a stay in Mexico, but the club never had availability there. A few months later, the club went out of business, taking all their money with it.

“Free trip” offers are one of the most common consumer scams. The free trip is usually just a bait to get consumers to buy memberships in expensive timeshares or travel clubs or the trip isn’t really free at all – you have to pay a lot of fees and extra costs.

If you receive a phone call or postcard saying you’ve won a vacation, beware. You’ll probably have to attend a sales presentation or tour a campground or timeshare facility to receive your free trip. The salespeople will use high-pressure sales tactics to get you to purchase a membership or timeshare.

You may also receive offers from “card mill” companies. They tell consumers that the cards will help them gain access to free or reduced travel.

Many consumers who sign contracts at these presentations later regret their decision. They find out too late that the club is more expensive than they thought because of added fees, dues and costs. Some consumers can’t get the dates or locations they requested. Others find the accommodations to be of poor quality. Worst of all, some of these companies go out of business, taking all their customers’ pre-paid membership money with them.

Be skeptical of “free trip” offers. Go to a sales presentation only if you are interested in what the company is selling, and:

- \$ Never make a decision on the spot. Insist on taking the contract home to study. If the business won’t allow this, leave.
- \$ Understand all the costs. What is and isn’t included? Are there extra fees for maintenance, processing, dues, peak season, upgrades, hotels, airlines, port taxes, and meals?

- \$ Know your cancellation rights. Under Michigan law, if a consumer is offered a prize or merchandise valued at more than \$25 in exchange for attending a sales promotion for goods, services, or memberships – such as a travel club membership – that have a value of \$500 or more, the consumer must be given written notice that they have three business days after signing to cancel the purchase agreement or contract. However, using your right to cancel isn't always easy, so don't sign a contract unless you're sure about your decision.

- \$ Always think twice before paying a lot of money in advance for a future benefit. What if you invest thousands of dollars and the travel club goes out of business? It's happened to many Michigan seniors.

As a general rule, research any travel service to make sure the company is established and reliable, before paying any costs or signing documents.

Incredible Prices That Aren't

A different kind of travel scam offers you an “unbelievable” price on a vacation. To take advantage of the offer, you have to give your credit card number to hold a reservation. Later, you find out that in order to take the vacation you have to pay a lot more for all sorts of fees, upgrades, hotel taxes and service charges. In fact, the whole package becomes so expensive that you don't want to even take the trip. If you do, the “deluxe” accommodations turn out to be a pretty ordinary motel.

Before you agree to pay any money for a bargain travel package, ask to have written material that describes all the terms and conditions sent to you. If they won't send it, turn it down.

How to Reduce Telemarketing Calls and Junk Mail

Tired of annoying telemarketing calls and junk mail filling your mailbox? Take the following steps to reduce your interruptions.

To reduce telemarketing calls:

- \$ The Federal Trade Commission (FTC) has made it easier for consumers to block telemarketers with the National Do Not Call Registry. This program allows consumers to register their phone numbers and be placed on a national list of numbers that telemarketing companies are not allowed to call. To register by phone, call 1-888-382-1222, or online at www.donotcall.gov. Consumers DO NOT need to reregister their phone numbers – registrations will not expire. If a company tries to contact you after the initial 31 day registration period, consumers may file a complaint at 1-888-382-1222.
- \$ When you get a telemarketing call, simply say “Put me on your ‘do not call’ list.” The federal Telephone Consumer Protection Act of 1991 requires companies to keep this list. Your request must be honored for 5 years.
- \$ Get an unlisted number.

To reduce junk mail:

- \$ Register with the Direct Marketing Association’s Mail Preference Service. You can get off many national mailing lists this way. Your name will remain on this “delete file” for five years. Complete the form included in Appendix C, or draft a letter including your name and address, and mail it to:

DMA Mail Preference Service
P.O. Box 9008
Farmingdale, NY 11735-9008.

- \$ Tell the credit reporting agencies that you don’t want to receive pre-approved offers of credit. Those credit card offers that come in the mail are from companies who get your name and address from one of the credit reporting agencies. Call toll-free: 1-888-5-OPT-OUT. You may also visit <http://www.optoutprescreen.com>. You may choose to opt out for five years, or permanently. You can also call the same number or visit the same website to opt back in.
- \$ Tell magazines to which you subscribe, and charities to which you donate, that you don’t want them to share your name with other businesses or charities. Request the same from mail order companies.

- \$ Read the privacy policies of your credit card companies and banks. The policies must give you an “opt-out” option, by which you can tell the bank not to share your personal information with other companies. The bank may still be allowed to share your information with its “affiliate” companies.
- \$ Don’t enter sweepstakes and drawings. The main purpose of many contests is to compile mailing lists. If you enter one contest, you are likely to receive mailings from other contests.

More Help

Get more ideas on how to stop junk mail and telemarketing by visiting www.junkbusters.com.

Read more about your rights under the Telephone Customer Protection Act at the Federal Communications Commission website, www.fcc.gov/cib/

For more information on how to avoid telemarketing fraud visit the Federal Trade Commission website, www.ftc.gov

The FTC's Telemarketing Sales Rule helps protect you from abusive and deceptive telephone sales practices. The Rule restricts calling times to the hours between 8 a.m. and 9 p.m., and puts other limits on telemarketers, too. For example:

- 📞 Telemarketers must tell you it's a sales call, the name of the seller and what they're selling before they make their pitch.
- 📞 It's illegal for telemarketers to lie about their goods or services, earnings potential, profitability, risk or liquidity of an investment; or the nature of a prize in a prize-promotion scheme.
- 📞 Before you pay, telemarketers must tell you the total cost of the goods they're selling, any restrictions on receiving or using them, and if a sale is final or non-refundable. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win and any restrictions or conditions on receiving the prize.
- 📞 It's illegal for a telemarketer to withdraw money from your checking account without your expressed, verifiable authorization.
- 📞 It's illegal for a telemarketer to call you if you have asked not to be called.

HEALTH ISSUES

Home Medical Equipment Scams

Howard was having problems climbing the stairs in his house, so he called a company that advertised it sold stairlifts. A salesman came to his house and promised to install the stairlift within two weeks, and took a payment of \$2,000 from Howard. However, months passed and the company didn't deliver the stairlift, but kept coming up with excuses. Howard finally sued and got some of his money back.

There are many reputable and reliable home medical equipment suppliers, but unfortunately there are also those that charge for equipment they never deliver or sell seniors expensive equipment they don't really need. They sometimes imply or promise that Medicare will pay for the equipment when that may not be true, and the senior is stuck with expensive bills. Some examples of tactics the salespeople use are staying in your home for a lengthy period of time, preventing you from asking others' advice, and setting up equipment that is hard to move.

Before buying home medical equipment:

- \$ Get advice from your doctor, hospital discharge planner or physical therapist, NOT from a salesperson. They know what your needs are better than a salesperson, and they can likely direct you to honest, reputable sellers of home equipment.
- \$ Check the company's reputation with your health care specialist. Call the Attorney General's Consumer Protection Division at 1-877-765-8388 to see if complaints have been filed against the company.
- \$ Be suspicious if the company does not have a store, showroom, or office you can visit.
- \$ Consult your proper medical authorities to verify when equipment is lauded as a "breakthrough" answer to a common ailment.
- \$ Beware of companies that promote themselves as representatives of Medicare, or send literature having Medicare emblems, leading you to believe Medicare endorses their product or service. Medicare does not solicit by telephone or mail and does not authorize anyone to do so. Medicare does not supply equipment, recommend specific suppliers, or provide beneficiary names to suppliers.
- \$ If the medical equipment is something that needs to be installed in the home, call the Bureau of Commercial Services at 1-517-241-9288, to see if the company is licensed.

The Michigan Wheelchair Law

If you buy or lease a wheelchair, you are protected by the Michigan Wheelchair Law, MCL 445.1081. This law requires the manufacturer of a wheelchair to give the consumer an express warranty, covering everything except the wheelchair's tires and batteries (if applicable) for at least one year for new wheelchairs or 60 days for a used, refurbished, or reconditioned wheelchairs. If you report a problem with the wheelchair within that year, the manufacturer must pay to fix the problem, replace the wheelchair, or give you a refund.

Miracle Cures

Several Michigan consumers who had life-threatening illnesses bought a product that was marketed as a “miracle cure” in radio commercials and on the Internet. The treatments costs thousands of dollars and did not appear to help anyone.

According to the Federal Trade Commission, consumers waste billions of dollars on unproven, sometimes useless health care treatments. As a group, older people have more chronic illnesses than younger people and they are more often targets for fraud. Unfortunately, the “cure” is often useless. The victims who fall prey to the scam waste their money, endure painful treatments, and may even forgo traditional medicine that might be able to help them. They can also hinder senior citizens from pursuing valid and needed medical treatments in a timely fashion.

Be skeptical if a product is advertised with these kinds of claims:

- \$ It’s a “scientific breakthrough” or has a new, secret ingredient that can cure a wide range of ailments;
- \$ The promoter claims the medical establishment or the government has a conspiracy to suppress the product;
- \$ The promoter uses “testimonials” from people who say they experienced amazing results using the product;
- \$ “Natural” or “herbal” does not equal “safe.” Many herbal ingredients are toxic in certain doses, cause allergic reactions or react with prescription or over-the-counter medications.

If you have a serious illness or condition, the best advice is to always see a doctor. Discuss any products you are considering taking with your doctor. Be suspicious of taking health advice from an advertisement or stranger.

Because there is no cure for arthritis, there are many false arthritis cures and remedies. The Arthritis Foundation says that arthritis should be monitored by a doctor because the condition can worsen if it is not properly treated. For a free brochure about unproven remedies, call the Arthritis Foundation toll-free at 1-800-283-7800.

FINANCIAL MATTERS

Investment Fraud

Roger's insurance agent told him about a unique investment opportunity – nine-month promissory notes that would yield an 18 percent annual rate of return. The notes were supposed to be secured by automobile titles. Robert agreed to invest \$20,000. When it was time for the note to mature, Robert found out that all the money was gone. The agent had used the money for his personal expenses and to pay back other investors. It turned out that the agent was not even registered to sell securities.

Seniors are the primary target of investment con artists. A fast-talking “financial adviser” can swindle an unsuspecting investor out of his or her life savings in a few minutes.

Beware of strangers touting strange deals. Trusting strangers is a mistake anyone can make when it comes to their personal finances. Almost anyone can sound nice or honest on the telephone. Say “no” to any investment professional who presses you to make an immediate decision, giving you no opportunity to check out the salesperson, firm and the investment opportunity itself. Beware of anyone who suggests investing your money into something you don't understand or who urges that you leave everything in his or her hands.

Do not feel indebted to someone who gives you “unsolicited” financial advice. This person may be trying to gain your trust so he or she can earn fees and commissions by investing your money, sometimes in unsuitable investments. If an investment sounds “too good to be true,” it probably is. Some unscrupulous companies try to entice investors with promises of returns as high as 25%, 50% or even 500%. Such claims are usually fraudulent. All investments involve risk. Con artists know that you worry about either outliving your savings or seeing all of your financial resources vanish overnight as the result of a catastrophic event, such as costly hospitalization.

Take your time - don't be rushed into investment decisions. Salespersons who use high-pressure tactics to force an investor into an immediate decision are almost always pitching frauds. They don't *want* you to think too carefully or find out too much because you may figure out that it's a scam.

\$ Ask how, and by whom, the investment advisor is being paid in connection with the services or products being offered.

\$ Insist on receiving a prospectus or printed offering materials. **READ THEM.** Any

investment worth making will still be available after you have had time to read about it.

- \$ Don't believe the age-old lie that you will lose money if you don't get in right away. The truth about such claims almost always turns out to be that you will lose money if you *do* get in.
- \$ If you have questions, ask your attorney, accountant and financial adviser to explain the investment.
- \$ The death or hospitalization of a spouse has many sad consequences - financial fraud shouldn't be one of them. If you find yourself suddenly in charge of your own finances, get the facts before you make any decisions.

Don't throw good money after bad. Beware of "reload" scams. Con artists know the panic people feel after a sudden financial loss. They know that it's the best time to promise to recover the original funds in another "sure thing" scheme. Don't fall for the same (or a similar) scheme twice.

Check out your broker or adviser. Confirm that your broker and financial adviser is registered and in good standing. Contact the Office of Financial and Insurance Regulation, at 1-877-999-6442, to check out your broker or adviser. **Keep tabs on your investments.**

- \$ Be wary when a financial planner says "leave everything to me," or "the plan is too complicated to tell you." Everything should be clear and explainable to you.
- \$ Monitor the activity on your account. Insist on receiving regular statements.
- \$ Never be embarrassed or apologetic about asking questions for trading activity that looks excessive or unauthorized. It's your money, not your broker's.
- \$ Keep all of your records relating to your investments, including notes of conversations you have with brokers, salespeople, financial advisers and the like.
- \$ Don't compound the mistake of trusting an unscrupulous investment professional by failing to keep an eye on the progress of your investment. Insist on regular written reports. Look for signs of excessive or unauthorized trading of your funds.

Don't be afraid to complain. If your broker or adviser stalls or hesitates when you want all or part of the principal of, or profits from, your investment, ask the reason for the holdup. You may have uncovered a questionable practice.

If you suspect that something is wrong and the explanations you receive are not satisfactory, call the Office of Financial and Insurance Regulation at (877) 999-6442 and file a complaint. Don't let embarrassment or fear keep you from reporting investment fraud or abuse.

Common Investment Scams

Here is a list of the top 10 investment scams:

1. “Free lunch” seminars. Often the people getting rich are those running the seminar, making money from the high commission products they sell to attendees. These seminars are marketed through newspaper, radio and TV ads, mass-mailed invitations, and mass e-mails. There’s a certain consistency to the invitations for these events: a free gourmet meal, tips on how to earn excellent returns on your investments, eliminate market risks, grow your retirement funds and spouses are encouraged to attend.

The bait for many of these seminars is that “income” will be “guaranteed” and substantially higher than the returns someone on a fixed income can expect to get from certificates of deposit, money market investments, or other traditional financial products. Often the speakers at these events use impressive-sounding but sometimes highly misleading titles and professional designations. Many of these designations imply that whoever bears the title has a special expertise in addressing the financial needs of seniors.

Often promoters push unsuitable products based on high commissions they receive from selling these products. For example, variable and equity indexed annuities are often unsuitable for senior citizens because those products are generally long-term investments that limit access to invested funds. But sales agents stand to earn high commissions on these investment products so they don’t always adhere to the suitability standards – with dire consequences for seniors. Remember: Make sure your investments match up with your age, your need for access to money, and your risk tolerance.

2. Unlicensed individuals, such as life insurance agents, selling securities. To verify that a person is licensed or registered to sell securities, call the Office of Financial and Insurance Regulation at (877) 999-6442. If the person is not registered, don’t invest.

3. Affinity group fraud. Many scammers use their victim’s religious or ethnic identity to gain their trust—knowing that it’s human nature to trust people who are like you – and then steal their life savings. Be wary – no community seems to be without con artists who seek to exploit others for financial gain.

4. Ponzi/pyramid schemes. Always in style, these swindlers promise high returns to investors, but the only people who consistently make money are the promoters who set them in motion, using money from new investors to pay previous investors. Inevitably, the schemes collapse. They’re called pyramid schemes because the people on top need to recruit an impossible number of people on the bottom to continually generate profits for everyone. Thus only the top people profit, while the remaining pyramid population lose money. Ponzi schemes are the legacy of Italian immigrant Charles Ponzi. In the early 1900s, he took investors for \$10 million by promising 40 percent returns from arbitrage profits on International Postal Reply Coupons.

- 5. Promissory notes.** Short-term debt instruments issued by little-known or sometimes non-existent companies that promise high returns - upwards of 15 percent monthly - with little or no risk. These notes are often sold to investors by independent life insurance agents.
- 6. Internet fraud.** Scammers use the wide reach and supposed anonymity of the Internet to sell thinly traded stocks, bogus offshore “prime bank” investments, and pyramid schemes. Investors should ignore anonymous financial advice on the Internet and in chat rooms.
- 7. Payphone and ATM sales.** Investors leased payphones for between \$5,000 and \$7,000 and were promised annual returns of up to 15 percent. The largest of these investments appeared to be nothing but Ponzi schemes.
- 8. “Callable” CDs.** These higher-yielding certificates of deposit won’t mature for 10 to 20 years, unless the bank, not the investor, “calls,” or redeems, them. Redeeming the CD early may result in large losses—upwards of 25 percent of the original investment. Regulators say sellers of callable CDs often don’t adequately disclose the risks and restrictions.
- 9. Viatical settlements.** Originated as a way to help the gravely ill pay their bills, these interests in the death benefits of terminally ill patients are always risky and sometimes fraudulent. In a legitimate investment, the insured is paid a percentage of the death benefit in cash in exchange for the investor getting a share of the death benefit when the insured dies. Because of uncertainties predicting when someone will die, these investments are extremely speculative. In a more recent twist, “senior settlements” - interests in the death benefits of healthy older people - are now being offered to investors.

10. Prime bank schemes. Scammers promise investors triple-digit returns through access to the investment portfolios of the world's elite banks. Purveyors of these schemes often target conspiracy theorists, promising access to the "secret" investments used by the Rothschilds or Saudi royalty. The investment may sound good when they tell you it's guaranteed to reap large financial rewards. However be suspicious when the offer is said to be limited to only a few people and is only good for an immediate response.

Financial Exploitation

Margaret, who was becoming frail, allowed a woman to move into a room in her home in exchange for some help with light errands. Several months later, Margaret's daughter discovered that the woman had stolen thousands of dollars from Margaret's bank account using her ATM card. The woman had also had taken Margaret to a lawyer and obtained "power of attorney" for herself.

Financial exploitation is the misuse of someone else's money, without their consent. Many people are swindled by people they know – caregivers, neighbors, even relatives.

Examples of financial exploitation include: threatening someone into giving away money; tricking a person with a memory problem into turning over money; forging signatures on checks or withdrawal slips; making unauthorized withdrawals from bank accounts; charging excessive fees for rent or caregiver services, and committing person-to-person, mail, or telephone fraud scams.

What you can do to protect your money:

- \$ Put all financial instructions in writing. This protects you and reduces the likelihood of misunderstandings. Keep records of all transactions.
- \$ Understand any lifelong care agreements you are entering into. Document the agreement and specify the compensation, if there is any, to be paid to the caregiver.
- \$ Ask someone to review your financial agreements. Your attorney, accountant, or a bank employee can detect changes in your financial activity that may signal a problem. You can also ask a trusted friend or relative to review your monthly statements.
- \$ Be cautious of joint accounts. Both parties are equal owners of the account and both have equal access to the money.
- \$ Before you assign a power of attorney, be sure you understand the authority you are giving to your agent. Know the person to whom you are giving this authority. Write in the agreement whether the agent will be paid or not, and if so, how much.
- \$ Ask a bank employee, a trusted family member, or a social worker or other professional for help when you are unsure about financial matters.
- \$ Stay connected to your community. Social isolation increases your risk of becoming a victim of abuse. Find out about community programs or social activities in your neighborhood.

Other tips to help you protect your money:

- \$ Use a direct deposit service for your checks.
 - \$ Don't sign blank checks allowing another person to fill in the amount.
 - \$ Don't leave money or valuables in plain view.
 - \$ Don't sign anything you don't understand.
 - \$ Cancel your ATM card if you don't use it.
 - \$ Don't give anyone your ATM PIN.
 - \$ Check your financial statements promptly and carefully for unauthorized withdrawals.
 - \$ Be cautious of joint accounts.
 - \$ Build good relationships with the professionals who handle your money.
 - \$ Don't give any account number to a stranger.
-

Reporting Elder Abuse

Elder abuse, neglect and exploitation involve behavior by licensed and/or non-licensed individuals, often family members or neighbors, toward an elder person who does not reside in a licensed facility. Elder abuse is harm or threatened harm to an adult's health or welfare caused by another person. Elder neglect is harm to an adult's health or welfare caused by self-neglect or the conduct of a person responsible for the adult's care. Elder exploitation is the misuse of an adult's funds, property or personal dignity by another person. If you suspect Elder abuse, neglect, or exploitation in a private home or unlicensed facility, notify:

[Family Independence Agency \(FIA\) Protective Services for Adults or Children.](#)

The information is also located in the Government County listing in your local telephone directory.

Statewide 24 hour Hotline: 1-800-99NOABUSE / 1-800 996-6228

Michigan Protection and Advocacy Service, Inc.

Developmental Disabilities: 1-800-288-5923

Mental Illness: 1-800-288-5923

Attorney General 24-hour Health Care Fraud Hotline:

1-800-24-ABUSE / 1-800-242-2873

Home Equity Fraud

Connie received a call from a lender who asked if she'd like to refinance her mortgage and get extra money to pay off debts, travel, or buy a new car. Connie agreed. The lender called again a few months later and persuaded her to refinance again. This happened three times. Soon, almost all of Connie's equity was gone, and she was having trouble keeping up with the monthly payments.

Seniors often have limited incomes but have built up substantial equity in their homes. That can make them a target of unscrupulous home equity lenders. Some of these lenders promise to refinance your mortgage or give you a home equity loan without disclosing hidden fees and terms. If you can't keep up with the payments, you could lose your home.

Some of the fraudulent lending practices to look out for are:

Repeated refinancing. A lender calls and says it's time your home equity started working for you. He says you can get extra money to pay off debts or take a vacation. You agree to refinance. Some months later, the lender calls again and offers you another refinancing deal. The lender charges you high points and fees each time you refinance. With each refinancing, you've increased your debt.

Hidden loan terms, such as a balloon payment. The new loan may require payments that only pay the interest each month. At the end of the loan term, the entire principal is due in one lump sum (a balloon payment). If you can't make that payment, you face foreclosure.

Credit insurance or other charges "packed" into the mortgage. At closing, the lender may try to include a charge for credit insurance or other "benefits" you did not ask for and don't need, and hope you won't notice when you sign the papers.

Signing over your deed. If you are having trouble paying your mortgage and the lender has threatened foreclosure, you may feel desperate. Another "lender" may contact you with an offer to help you find new financing. Before he can help you, he asks you to deed your property to him, claiming it's a temporary measure to prevent foreclosure. Once the lender has the deed to your property, he may borrow against it, sell it to someone else or evict you.

\$ Don't sign any document you haven't read or that has blank spaces to be filled in after you sign.

\$ Read over your documents carefully and look for any hidden charges, or charges that you know should not be included. If you see a charge for something you know should not be included, ask that it be removed. If the company refuses to remove the charge, don't sign the documents.

\$ Don't deed your property to anyone without first consulting an attorney, a knowledgeable family member or someone else you trust.

\$ Always read contracts carefully. Talk them over with someone you trust, such as a knowledgeable family member or an attorney.

For more information about home equity loans and home equity fraud, see the American Association of Retired Person's website at www.aarp.org or the specific webpage http://www.aarp.org/money/wise_consumer/financinghomes/a2002-09-16-ConsumerAdvocacyHomeLoans.html.

Remember:

Make monthly mortgage payments only to your organization lender. No matter how good it sounds, don't let another person make mortgage payments for you.

Call the Office of Financial and Insurance Regulation at 1-877-999-6442 to check if a loan company is a licensed financial lender or if you think you are a victim of home equity fraud.

Predatory Lending

Predatory lenders look for people with financial problems who are looking to buy a home, refinance a mortgage, obtain a home equity loan, or save a home from being foreclosed. They blame their outrageous interest and fees on the consumer's shaky credit and take advantage of the consumer's lack of financial knowledge.

Some red flags to look out for:

- \$ The lender tries to hide high closing costs and fees such as loan origination, underwriting fees, broker fees and transaction/closing costs. The interest rate should not be well above the market average.
- \$ Monthly payments are small but a large sum is scheduled at the end. This is a common way for lenders to ensure the consumer will have to apply for another high interest loan.
- \$ The lender pressures the consumer to take out a loan for more than the property value. This sort of loan puts both the consumer and his/her financial record at great risk.
- \$ There is a large penalty for paying off loans early. This pre-payment penalty makes it difficult for the consumer to refinance to a lower and better interest rate.
- \$ Review every document carefully. Do not feel shy to ask for documents in advance to ensure plenty of reading time. Never sign mortgage documents with blank spaces remaining. Most terms such as interest rate, choice of fixed or variable interest, loan length, pre-payment penalties are negotiable.
- \$ Shop around and compare loan offers. Remember do not focus just on monthly payments but on all terms such as contract length and how much you're borrowing.

Remember:

Call the Office of Financial and Insurance Regulation at 1-877-999-6442 to check if a loan company is a licensed financial lender. If you think you are a victim of predatory lending, call the Attorney General's Consumer Protection Division at 1-877-765-8388 to file a complaint.

Living Trust Scams

Victoria went to a seminar on living trusts. The speaker said a living trust was a way to avoid the high cost of probate, which he said would eat up a third of her estate. She paid \$1,500 for a living trust package. However, she did not understand that she had to personally transfer all of her property to the trust. She missed doing the paperwork on some items, so when she died her estate had to go through probate anyway. As it turned out, the probate fee was only \$500.

In recent years, for-profit companies have aggressively promoted the sale of living trusts to seniors. They play on people's fears and misconceptions about probate and estate taxes, and promote living trusts as a suitable estate-planning tool for everyone. Probate is a legal process that oversees the transfer of property from a deceased person's estate to the beneficiaries. However, a living trust is NOT suitable for everyone's situation and living trust packages marketed at seminars, by postcard and on the Internet, are usually a waste of money.

A living trust lets you direct how property you place in the trust will be distributed after your death. It allows your trust property to pass to your beneficiaries without going through the probate process. Living trusts can be useful if a person owns real estate in more than one state, anticipates that his or her will might be contested or wants to have someone else manage his or her current assets. However, living trusts are not the best estate planning choice for most people in most circumstances.

Also, living trusts marketed by salespeople may use prepackaged forms that are not tailored to the consumer's individual circumstances, and may not comply with Michigan laws and regulations. These salespeople often:

- greatly exaggerate the cost and delay of probating a will. In fact, Michigan's probate process is relatively uncomplicated. Michigan has a streamlined procedure for small estates, and permits a less burdensome probate administration when the beneficiaries consist only of the decedent's spouse, children, or personal representative.
- falsely claim that a living trust will cost less than probate. In Michigan, probate fees are modest.
- sell trust documents that are not drafted by attorneys or are written by attorneys who are not licensed in the consumers' state.
- do not tell consumers that they must transfer all of their assets to the trust, or the estate will have to go through probate anyway.

The bottom line? A subject as important as estate planning should be discussed with professional counsel, not with a salesperson. Don't buy a living trust package that may not be valid and may be just a waste of money. To determine if a living trust is right for you, consult an attorney who is admitted to practice law in Michigan and who specializes in estates and trusts.

For more information:

The American Association of Retired Persons (AARP) offers the publication, “A Consumer’s Guide to Living Trusts and Wills.” See the AARP website at www.aarp.org

The Legal Hotline for Michigan Seniors provides free legal advice to any Michigan resident age 60 or older. To reach the Legal Hotline for Michigan Seniors, call 1-800-347-5297.

Pre-Need Burial and Funeral Contracts

John had told his daughter that he had pre-paid for his funeral and his burial and the contracts would take care of everything. When he died, however, his daughter found out that neither contract paid for interment, which cost an additional \$795 for the grave site alone.

Many people today choose to plan ahead for funerals and other final arrangements, making informed decisions in advance about burial and cremation and memorials. Many also put aside the funds to pay for these arrangements in a variety of fiscal instruments - trusts, insurance, and other accounts.

But more and more Michigan consumers, especially the elderly, are receiving direct mail and telemarketing calls from sellers of pre-need funeral goods - cemetery lots, urns and caskets - and pressed to pay in advance for goods and services they may not need or use in the future.

[Michigan's Prepaid Funeral Contract Funding Act](#) permits anyone to sell funeral goods and services on a pre-arranged basis, as long as they register as a seller with the State of Michigan. The providers of these goods and services are not all the same. For instance, funeral directors in Michigan are tested, regulated and inspected by the state. Pre-need sellers do not have to be similarly licensed. If you decide you would like to pay in advance for funeral goods and services make sure your money is safe and will be there when the need arises. Laws safeguarding your money may vary based upon the funeral goods or services being sold. Consumers are encouraged by the Attorney General's office to obtain a written explanation of exactly how their money is protected in each transaction, and importantly, whether the pre-need contract is guaranteed, revocable, refundable, transferable and portable.

The Attorney General's Office, the Federal Trade Commission, AARP, ABC News and *Consumers Reports* have each done recent investigations into the sale of funeral goods and services. Consumers are entitled to good information upon which to base sensible decisions about funerals *before* or *when* or *after* the need arises. But they should not be pressured to pay in advance for merchandise or services they may not need. Nor should they be targeted for high-pressure marketing and sales schemes. The Federal Trade Commission's publication "Funerals: A Consumer Guide" details the requirements of federal law and provides a more comprehensive overview. The publication is available from the FTC by calling 1-877-382-4357; TDD: 1-202-326-2502 or online at: www.ftc.gov/bcp/online/pubs/services/funeral.htm

Before signing any pre-need contract or paying for anything in advance, consumers should consider the following questions:

- What are you are paying for? Are you buying only merchandise, like a casket and vault, or are you purchasing funeral services as well? Who will eventually provide the services and merchandise you are purchasing?
- What happens to the money you've prepaid?

- Who are you dealing with? A licensed funeral director? A cemetery sales person? A commissioned pre-need seller? Who owns the firm? How long have they been in business?
- What happens to the interest income on money that is prepaid and put into a trust account?
- Are you protected if the firm you dealt with goes out of business?
- Can you cancel the contract and get a full refund if you change your mind?
- What happens if you move to a different area or die while away from home? Some prepaid funeral plans can be transferred, but often at an added cost.
- Are these arrangements portable, transferable, and refundable without penalty?
- Have you consulted your family, your religious, spiritual, and financial advisors?
- Are you feeling “pressured” or hurried to make these arrangements or buy something before you really need it? If so, by whom?

Another resource you may wish to contact include:

AARP Fulfillment
601 E Street, NW
Washington, DC 20049
1-800-424-3410
www.aarp.org

AARP is a nonprofit, nonpartisan organization dedicated to helping older Americans achieve lives of independence, dignity and purpose. Its publication, "Preplanning Your Funeral Arrangements," is available free online or by contacting AARP.

Appendix A - Helpful Resources

Consumer Protection Division, Michigan Attorney General's Office

website: www.michigan.gov/ag

General consumer complaints:

To file a complaint against a business or to check a business's complaint history

8:30 a.m. to 4:30 p.m., Monday-Friday

(517) 373-1140

Toll-free: 1-877-765-8388

Fax: 1-517-241-3771

Other Locations:

Franchise Section, Consumer Protection Division, Michigan Attorney General's Office

To inquire into sellers of franchises, business opportunities, or multi-level marketing programs.

1-517-373-7117

Toll-free: 1-877-765-8388

Charitable Trust Section, Consumer Protection Division, Michigan Attorney General's Office

To inquire into a charitable organization's registration in Michigan.

1-517-373-1152

Toll-free: 1-877-765-8388

Office of Financial and Insurance Regulation, Department of Labor and Economic Growth

To inquire into lenders and sellers of securities, or for questions about mortgages and mortgage lenders.

1-517-373-0220

Toll-free: 1-877-999-6442

<http://www.michigan.gov/dleg/0,1607,7-154-10555---,00.html>

Legal Hotline for Michigan Seniors

To get legal advice over the phone, for Michigan consumers over the age of 60.

Toll-free: 1-800-347-5297

Appendix C – Direct Marketing Association Mail Preference Service

DEMAND FOR REMOVAL FORM

DIRECT MARKETING ASSOCIATION ("DMA") MAIL PREFERENCE SERVICE

To reduce the amount of unsolicited national advertising mail you receive at home, complete this form and mail it with a \$1.00 check or money order, payable to the Direct Marketing Association, to the following address. Processing by mail takes longer than online registration.

Mail Preference Service
Direct Marketing Association
P.O. Box 282
Carmel, NY 10512

Keep a copy of the form for your records.

You may also register online by accessing the DMA's website at: www.the-dma.org. There is a \$1.00 fee, payable by credit card, which verifies your registration and helps to protect the DMA's system from fraud. DMA uses secure payment transaction processing to protect your credit card information. Registering online is the fastest way to see results.

Date: _____ [Fill date in for your records. Send letter every five years.]

I want to immediately reduce the amount of junk mail I receive,
PLEASE REGISTER MY NAME WITH THE DMA MAIL PREFERENCE SERVICE.

According to the DMA, the mail preference service is available to companies for the sole purpose of removing your name and home address from their mailing lists. After several months, you will begin to receive less advertising mail from national marketers such as credit cards, sweepstakes and magazine subscription offers, and catalogs. Local businesses and organizations usually do not use this program. You will continue to receive mail from companies with which you already do business. Not all companies use the DMA's mail preference service to purge their mailing lists, therefore, you may continue to receive some companies' promotions. In this instance, contact the company directly and ask to be placed on the company's do-not-mail file.

NAME: _____

STREET: _____ APT # _____

CITY: _____

STATE: _____ ZIP CODE: _____

SIGNATURE: _____

If there is a problem with my registration, please contact me in writing at the address provided above.

PLEASE DO NOT SEND THIS FORM TO THE ATTORNEY GENERAL'S OFFICE.