

# The 2011 Utah Economic Cost of Elder Financial Exploitation

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Jilene Gunther, MSW, JD  
Legal Services Developer  
Utah Division of Aging and Adult Services

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## 1.0 Introduction

Every day in this nation, seniors are exploited. These seniors, heralded as our greatest generation, are now under attack in one of the grimmest battles — the fight against financial exploitation. However, unlike other battles they have faced, the enemies are often those closest to them and ones they least expect — family members and close friends. The crime often goes unidentified and unreported, as many seniors who are financially exploited find it too painful to report or too embarrassing to admit.

Exploitation is not prejudiced against race, politics, social position, or financial status. It can happen to any senior. Yet while there is little national data on financial exploitation and the exact costs of financial exploitation are largely unknown, the effects are felt by all of us: families, businesses,

Stealing  
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Utah \$48  
to \$210  
million  
annually.

taxpayers, government programs such as Medicaid, and seniors.

Adult Protective Services (APS) workers — the frontline fighting this battle — have taken and continue to take significant deep budget cuts to their programs across the nation while still maintaining the requirements to address elder abuse under the Older Americans Act. Compounding this issue is the fact little research has been done to show the extent of financial exploitation and exactly how exploiters are accessing these funds. While the costs of domestic violence have been calculated for decades, a cost analysis of financial exploitation using APS records has never been undertaken. No national data system exists to help APS collect this critical data. Instead, a gold mine of data sits in case notes of workers. Thus, workers are left to advocate for seniors using anecdotal stories with little supporting data. This study looks to collect this painstaking data.

As a full-time Legal Services Developer charged with coordinating the legal service delivery system which includes APS, I began to examine the costs of financial exploitation, the methods exploiters are using to access seniors' assets, what makes a senior more vulnerable to exploitation, and many other variables using data from APS cases. This exploratory research, summarized herein attempts to paint a picture for policy makers of the importance of financial exploitation, the potential costs of exploitation, and the need to conduct research in this area, as well as to help understand how financial exploitation is occurring in order to better target prevention efforts.

Since our first study was released in 2008, four other states have started collecting this data. We strongly recommend national policy makers look at conducting a study to report the costs which occur from this population across the nation. This will not only bring to light the extent of this growing epidemic, but will help policymakers understand how this exploitation is occurring, a critical and necessary component before proceeding to prevent exploitation.

Based on the exploratory research, we estimate Utah seniors and businesses lost \$4,766,196 in 2011 due to financial exploitation. This amount is lower than the cost of financial exploitation in 2010. There are a variety of reasons for this but most likely it is due to the lower amount of supported financial exploitation in 2011 and

the growing number of unsupported cases. It is evident from reading case notes perpetrators are getting smarter and subsequently more support, research, and tools are needed to prevent and prosecute these crimes.

Note this study only examines APS cases and does not attempt to examine other protected data basis (ie, Division of Securities, Division of Consumer Protection, police precincts, FBI, and FTC). We urge these organizations to share and organize their existing data so similar research can be gathered in this area.

## 2.0 Study Design

This exploratory study from the Utah Division of Aging and Adult Services provides an introductory examination of the cost of financial exploitation to Utah seniors. The purpose was to attempt to calculate the financial loss to Utah seniors, financial institutions, and government entities; and to determine the variables and methods perpetrators employ to exploit. This report serves as a tool to help our local Adult Protective Services program to have more effective and targeted prevention. Knowing how perpetrators are accessing seniors' funds provides invaluable insight and education on how to prevent these crimes. This study also urges national policymakers to conduct national research on this issue.

The Utah Cost of Financial Exploitation Study was conducted by examining all the supported financial exploitation cases of Utah APS involving those sixty years old and older. Fifty-two cases in 2011 were reviewed in-depth to determine financial loss. Cases were reviewed regarding dollar amount taken and property stolen. In cases involving property, we gathered as much information as provided in the case notes to determine the value of lost property. In fewer than ten percent of the cases, we did not have all the facts to make an exact valuation on one method of exploitation in the case (many cases had more than one method used to exploit). In these circumstances we always erred on the fiscally conservative side using the average amount exploited for that method of exploitation, as well as the average cost of a like property. For example, if a 2003 Ford Taurus was listed as stolen with no additional details describing the vehicle, we estimated the value using the average value of a 2003 Ford Taurus listed in the Kelly Blue Book, assumed it was in

fair condition, and estimated the number of miles on it by the average amount of miles a person drives in a given year.

To conduct valuations, we used the Kelly Blue Book, Utah sold real estate numbers, Zillow and Trulia real estate heat maps, KSL.com classifieds, and consulted with local pharmacists, insurance life expectancy tables, and other valuation tools. We looked for as much information as possible to make accurate valuations, including the location of the real property and the average price of homes selling in that area over the last six months; model, make, usage, and condition of the car and average out-of-pocket prices for medications. Cases which did not have enough evidence to be supported were not examined; other agencies more so than Adult Protective Services receive reports regarding scam artists, insurance fraud, telemarketing fraud and other like fraud; thus, it could be possible the costs of financial exploitation to Utah seniors are higher than reflected in this study.

Examining financial exploitation without attempting to account for unreported cases would not be telling the entire story. It would be comparable to calculating the number of drivers who speed by only examining the number of drivers who receive tickets without taking into account those who receive warnings and those who speed and do not get caught.

It is well established there are a substantial amount of unreported financial exploitation cases.<sup>1</sup> Studies differ on the number of cases unreported. In a recent study in New York, researchers calculated that for every one reported financial exploitation case, forty-four go unreported.<sup>2</sup> Another study stated one in twenty-five is reported.<sup>3</sup> In estimating a range for the dollar amount lost, we used the above figures.

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<sup>1</sup> Humphrey, T. (2003). Nichols Seeks Stiffer Laws Against Elder Abuse; Knox Attorney General Says State Needs to Get Tough on Scam Artists, KNOXVILLE NEWS-SENTINEL; Camron, V. Abuse of Elders Goes Unreported, Committee Says; Group's Goal Is Prevention, CHI. TRIB., Mar. 24, 2004, Morrison, J. Fraud and the Elderly, MONT. LAW., Mar. 2003,

<sup>2</sup> (2011). New York State Elder Abuse Prevalence Study. Cornell University.

<sup>3</sup> Wasik, J.F. (2000). The fleecing of America's elderly. Consumer's Digest, March/April.

This study explores the potential costs of financial exploitation, variables involved in exploitation, relationships to victims, and provides dollar amounts based on estimations, statistics, and hypotheses. It highlights the importance of examining the costs of financial exploitation and need for further research in this area. It is the first step of many needed to capture the true cost of financial exploitation to our society.

This study did not assess financial losses associated with physical, sexual, or emotional abuse. We also urge policymakers to study the medical and societal costs associated with these crimes.

## 2.1 Variables Examined

All fifty-two supported Adult Protective Services financial exploitation cases were included in the study. There were two phases to this study. The first was a valuation of financial loss. The second was a more in-depth examination of several variables including:

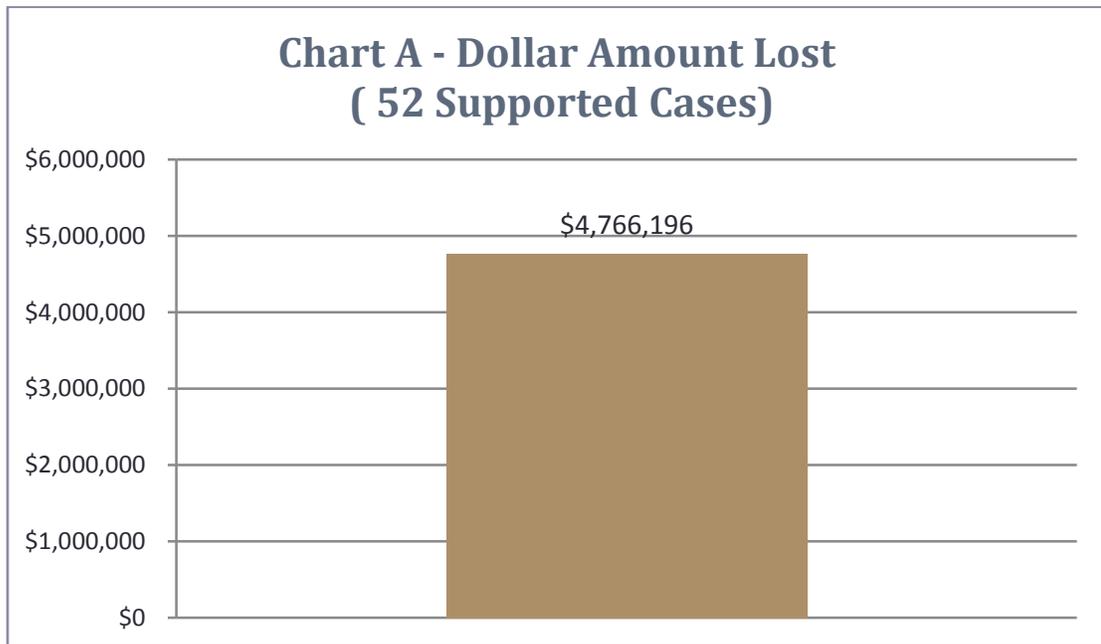
- Who made the referral
- The perpetrator's relationship to the victim
- Type of financial exploitation
- Method used by the perpetrator
- The vulnerabilities and/or impairment of seniors compared to the amount of exploitation

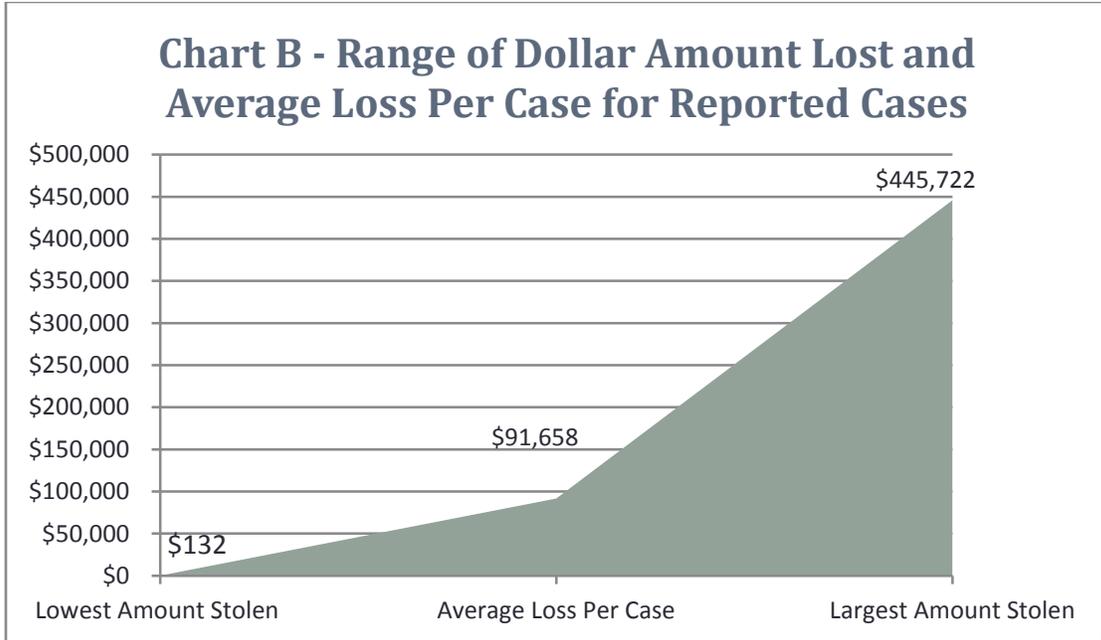
New to our third study and for the first time, we seek to explore whether dementia, capacity issues, needing physical protection and/or help with your finances impacts exploitation. This is a means to explore whether these factors are a predictor of the cost of financial exploitation.

### 3.0 Findings

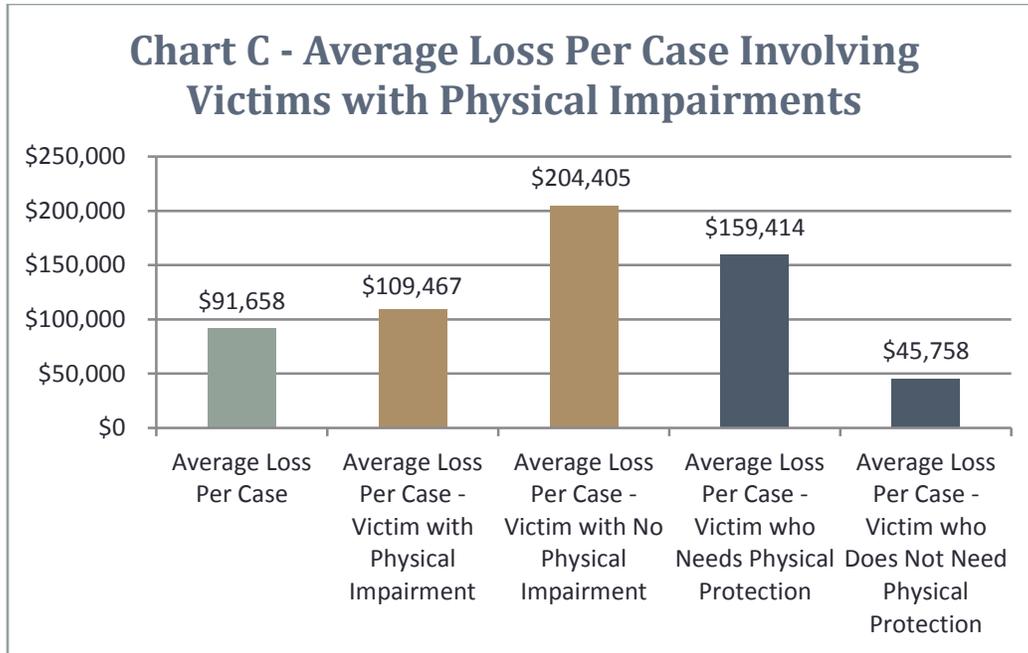
#### 3.1 Financial Losses Due to Financial Exploitation

Out of the fifty-two cases reviewed, \$4,766,196 was lost due to stealing seniors' assets. The loss is eventually borne by the senior or a subsequent loss to financial institutions. In some cases, we expect some seniors are exploited to such an extent they subsequently become reliant on government programs they would have qualified for but for exploitation.



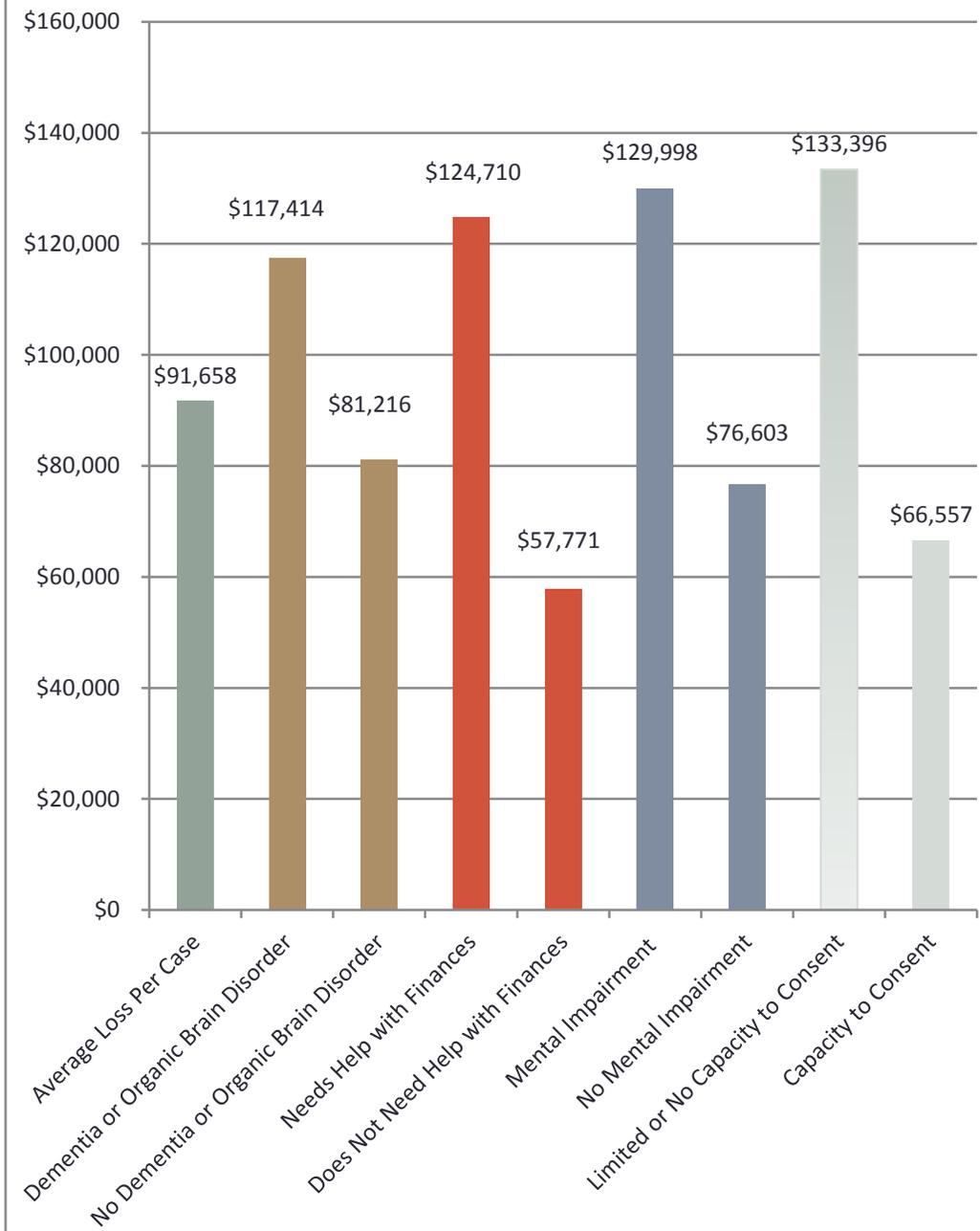


The range stolen was from \$132 to \$445,722. The average loss per case is \$91,658. The average loss in 2010 was similar, \$96,309.



Interestingly to note, those who need physical protection are exploited almost 250% times the amount than victims who do not need physical protection. This may indicate that victims who are being physically abused are also at the same time being financially exploited.

### Chart D - Average Loss Per Case Involving Victims with Mental Impairments

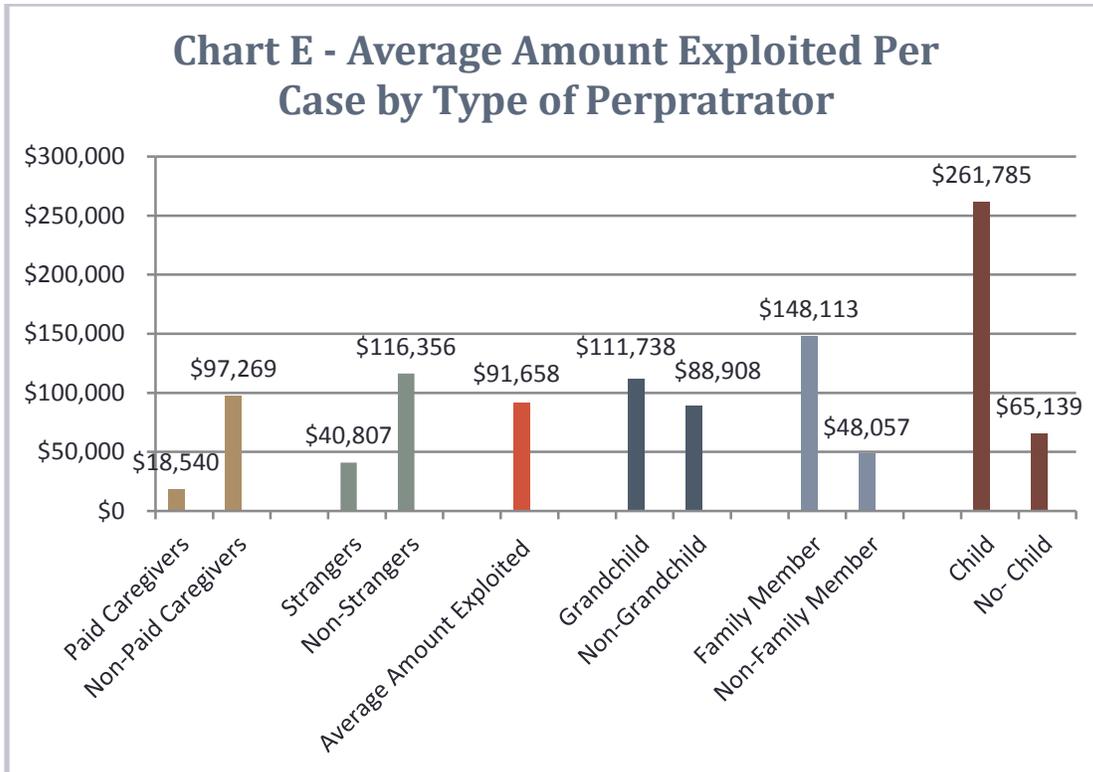


Much like in the wild, there are predators taking advantage of the most vulnerable in society. Not surprisingly, these perpetrators exploit more out of seniors who have dementia, mental impairments, memory issues, as well as those who need help with their finances and have limited or no capacity to consent. The victims in these cases lose a disproportionate amount compared to victims without these vulnerabilities.

The seniors most vulnerable to exploitation are those with a limited capacity to consent and those who need help with their finances. Nearly half the cases of exploitation involved a victim who needed assistance in managing their financial affairs. The average loss per case in such instances is \$124,710 compared to \$57,771 for victims not requiring help with their finances. Those needing help with their finances are exploited 116% more than the victims without needing such assistance. Those with the capacity to consent lose an average of \$66,557 whereas those without such a capacity lose an average of \$133,396. Those with limited or no capacity are exploited twice the amount than those who have capacity. This highlights the imminent need to protect these vulnerable populations by creating tools and safeguards for those needing help with their finances and those with capacity issues.

Victims with dementia are also exploited to a greater extent – almost 50% more. The average victim with dementia is exploited out of \$117,414 compared to \$81,216 for those without dementia.

These compelling differences display again the need to create protection for seniors who need help with their finances, the importance of providing limited special powers of attorneys, using the basic principle of having two people involved in helping with finances, not using joint accounts, and not co-mingling funds.



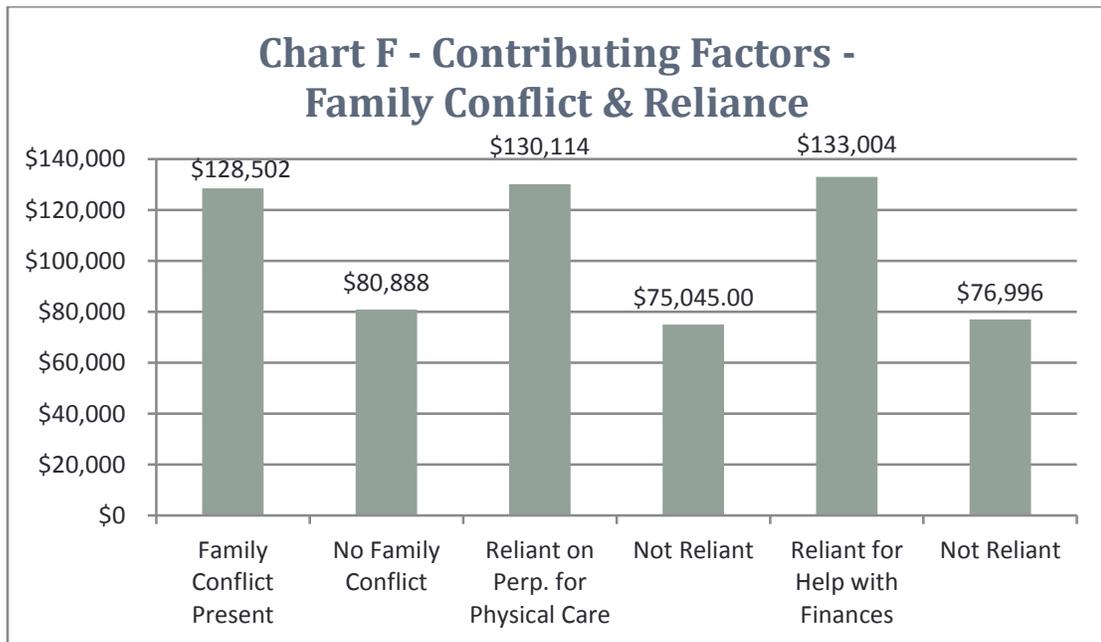
The average age of a victim is eighty. The average age of a perpetrator is forty, though perpetrators can come from all walks of life. The above chart shows the following mean losses by perpetrator type:

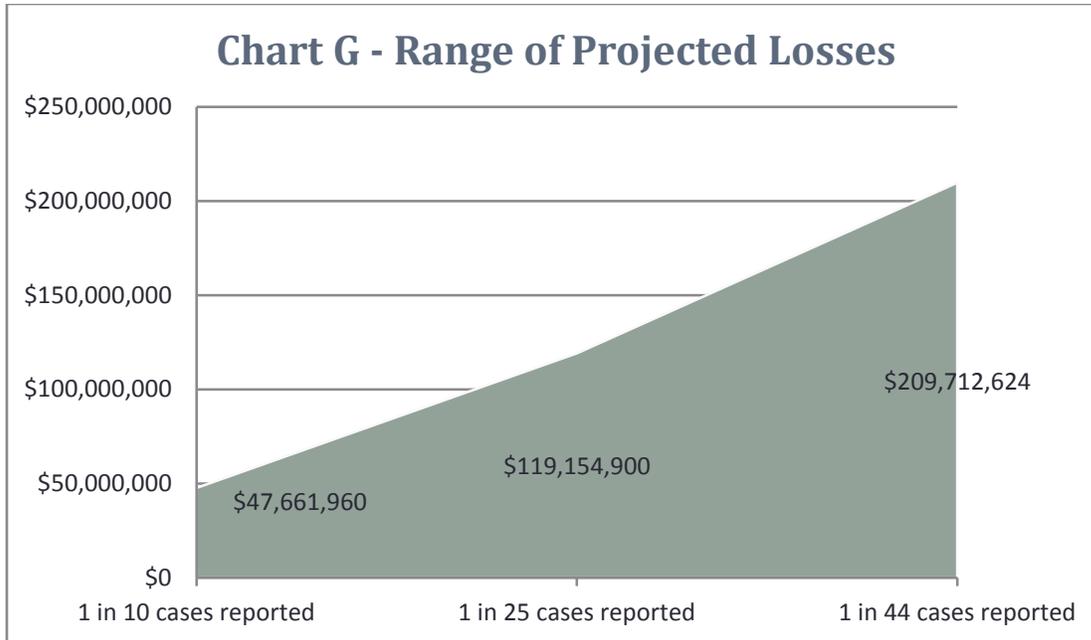
- The average loss per case when a child is the perpetrator is \$261,785. The average loss per case when a non-child is the perpetrators is \$65,139.
- The average loss per case when a family member is the exploiter is \$148,113. The average loss per case when a non-family member is the exploiter is \$48,057.
- The average loss per case when a grandchild is the perpetrator is \$115,738. The average loss per case when a non-grandchild is the exploiter is \$88,908.

Not only are family members the perpetrators in more than half the supported cases, children are exploiting 302 percent more than the average amount lost in each case. This of course does not mean every child exploits their parent, rather

most perpetrators happen to be family members with greater access and freedom to access the vulnerable seniors' funds. We must set up tools to help seniors choose the right agent; create basic accounting tools that do not widely exist for family members who are helping their parents with their finances.

As you can see below seniors who rely on a perpetrator for physical care and financial care are exploited at a greater extent yet again. As we know from qualitative stories, seniors are often caught with a double-edge sword – they are relying on their perpetrator for care.





It is well established there are a substantial amount of unreported financial exploitation cases.<sup>4</sup> To accurately estimate the costs of financial exploitation, unreported cases must also be evaluated. We can look to national prevalence studies to estimate these costs. Studies and reports estimate that for every one financial exploitation case reported anywhere from ten to forty-four go unreported (see page 3).<sup>5</sup> Considering these estimates and assuming unreported cases are valued at the same cost as reported cases, the cost of stealing seniors' assets could range anywhere from \$48 million to \$210 million of losses a year. Yet again these estimates are conservative as this study only examines APS data, and does not examine data from the FTC, FBI, securities, and consumer protection.

<sup>4</sup> Humphrey, T. (2003). Nichols Seeks Stiffer Laws Against Elder Abuse; Knox Attorney General Says State Needs to Get Tough on Scam Artists, KNOXVILLE NEWS-SENTINEL; Camron, V. Abuse of Elders Goes Unreported, Committee Says; Group's Goal Is Prevention, CHI. TRIB., Mar. 24, 2004, Morrison, J. Fraud and the Elderly, MONT. LAW., Mar. 2003,

<sup>5</sup> (2011). New York State Elder Abuse Prevalence Study. Preliminary report. Cornell University.

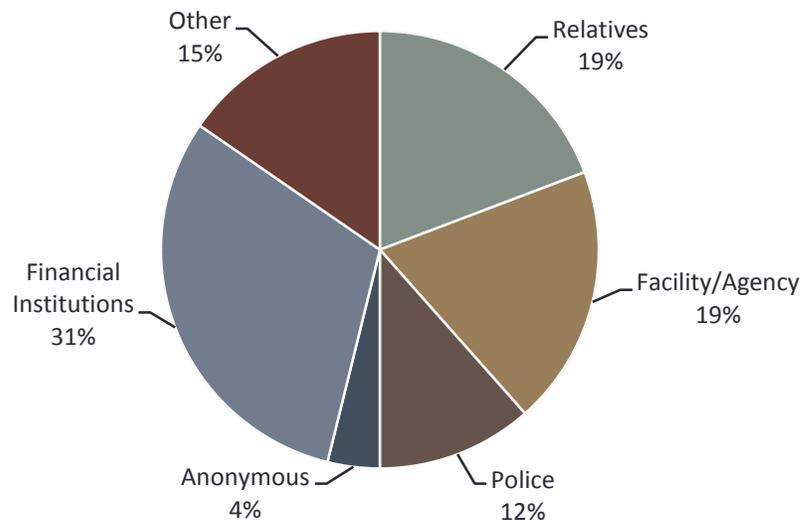
### 3.2 Referrals made to Adult Protective Services

Chart H shows of the fifty-two reported case referrals:

- Nineteen percent came from relatives of the victim
- Thirty-one percent came from financial institutions
- Twelve percent came from the police
- Fifteen percent came from other sources, including paid caregivers, doctors, and church clergy

Only thirty-one percent of referrals came from financial institutions yet fifty-eight percent of perpetrators use financial institutions as a vehicle. This indicates prevention must start at the point of production – the banking level. We must develop better comprehensive and holistic training at the bank level which includes training all financial institution employees with special training to account specialists and tellers who are on the frontlines.

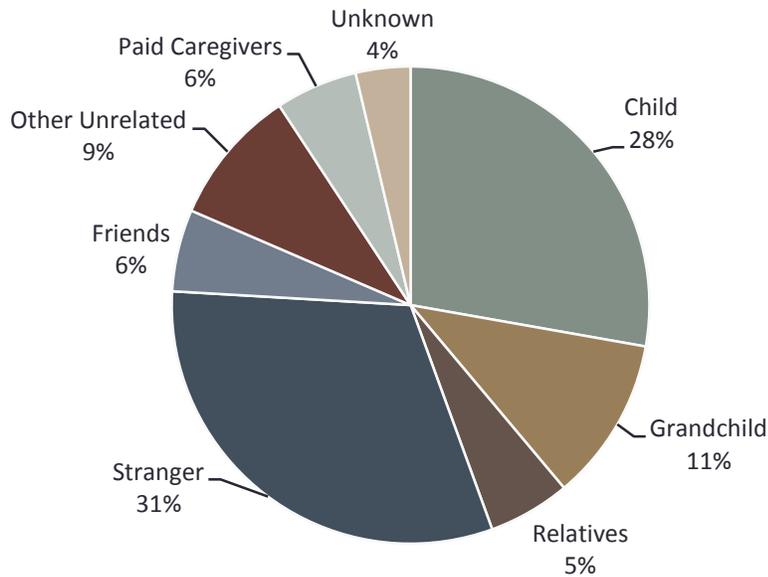
**Chart H - Referent Type**



### 3.3 Perpetrators' Relationship to the Victim

The majority of perpetrators (forty-four percent) were family members. This reflects national data and indicates those who perpetrate are taking advantage of their close relationship with senior family members. Again, this does not mean all family members exploit rather those who perpetrate tend to be family members. This finding illustrates when using a family member to help with finances, which a senior needs to choose the agent wisely, and limit family members' unnecessary access to funds.

**Chart I - Perpetrator Relationship to Victim**



Seniors who need help with their finances are exploited more than twice the amount.

### 3.4 Methods Used to Exploit

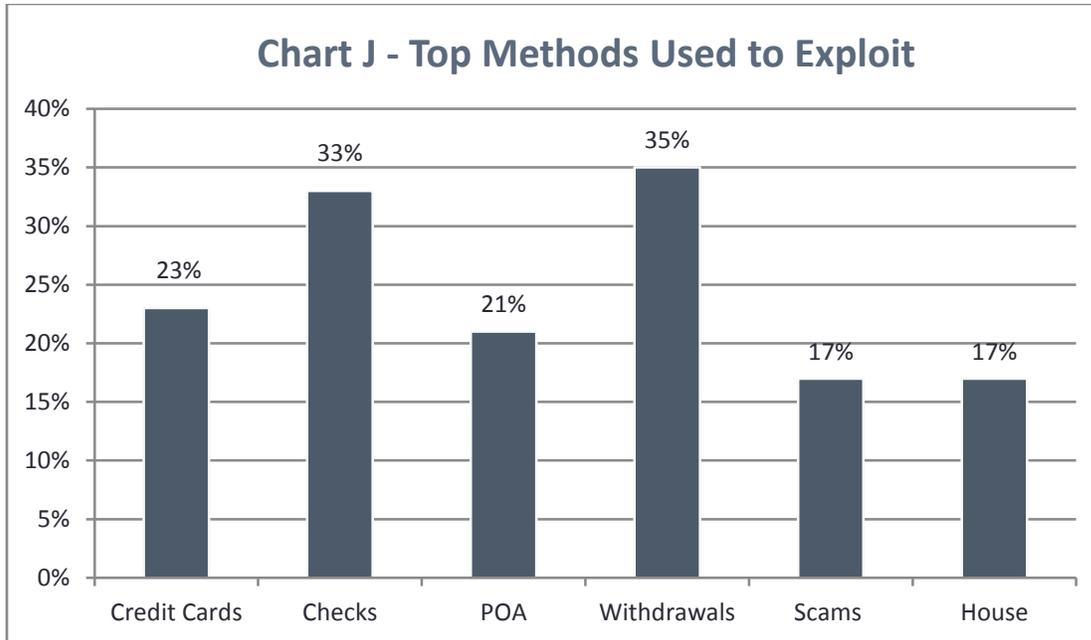
To learn more about prevention, we examined the methods perpetrators were using to exploit seniors. In doing so we can educate seniors on the specific methods and ways seniors are being exploited. We found perpetrators were using the following ways to exploit:

#### **Finances**

- Scam
- Withdrawals from bank account
- Cash
- Check (forgery)
- Credit Card
- Loans
- Retirement

#### **Property**

- Personal property
- House
- Car theft or “borrowing”
- Rent, living off senior despite agreement



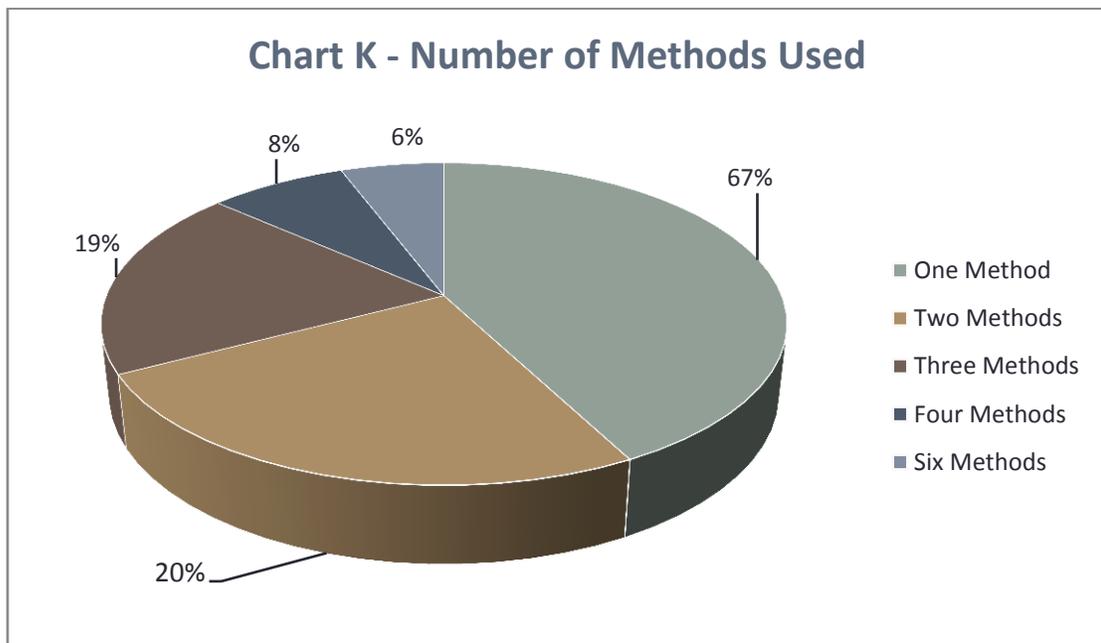
We found that the most frequent methods used to exploit seniors were bank withdrawals (thirty-five percent), credit cards (either misuse or identity theft) (twenty-three percent), using a General Financial Power of Attorney (twenty-one percent). We also found that many perpetrators were using more than one method to exploit; thus increasing the frequency of the categories of methods used. This shows the prevalent need to work with financial institutions to prevent exploitation as fifty-eight percent of the cases involve a perpetrator using financial institutions as a vehicle to exploit. Fighting exploitation is much like fighting pollution. The most effective way to prevent it is at the point of production. In addition, in some cases due to the nature of how the exploitation occurs, the financial institution is left holding the cost of the exploitation. Both of these above points demonstrate the need to work with banks as one of the frontline positions to preventing exploitation.

Most often, seniors were exploited because they needed help with their finances and a family member was improperly using the money; or a family member was accessing their finances without permission. Yet, in the majority of these cases, the senior(s) had someone in their life (another family member or trusted friend) who by chance observed the exploitation. In about eighty percent of the cases, if the senior had a trusted monitor observing the account and/or the agent making

purchases on behalf of the senior, the exploitation would have been caught sooner or prevented altogether.

### 3.5 Number of Methods Used per Case

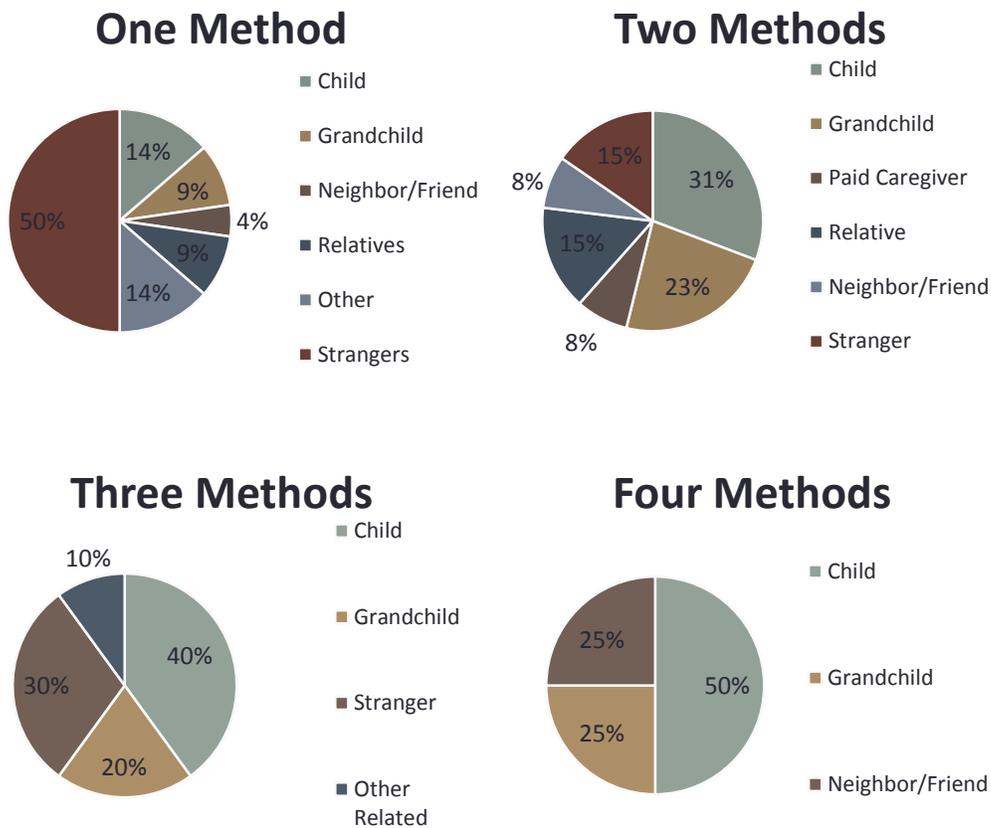
Perpetrators are using multiple methods to exploit seniors. In fifty-three percent of the cases, perpetrators are using more than one method to exploit.



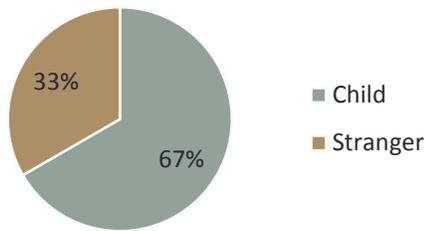
### 3.6 Comparing Frequency of Methods Used & Relationship with Perpetrator-Victim

Analysis of the perpetrators' relationship with the victim and the number of methods used by the perpetrator shows a definitive trend. Strangers and friends were more likely to use one method to exploit. Those closer to victims—children and grandchildren—were more likely to employ two, three, and four types of exploitation methods.

**Chart L - Number of Methods Used**



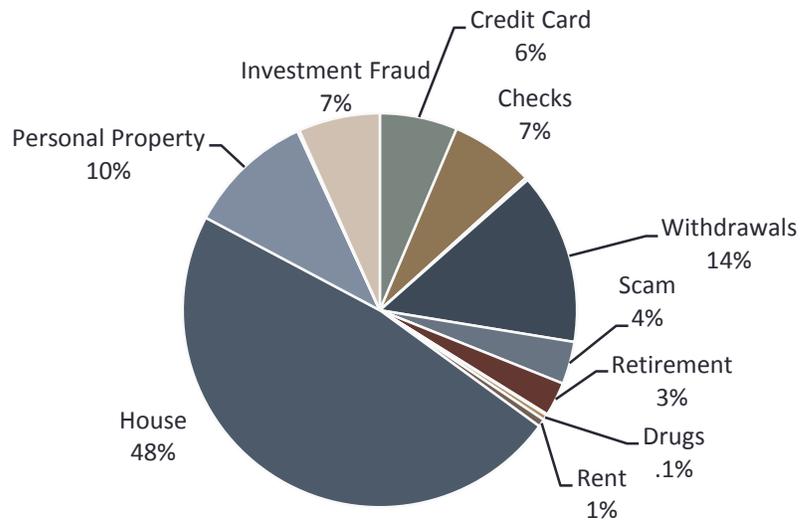
### Six Methods



### 3.7 Financial Institution Related Transactions and Withdrawals

Examination of the data indicates forty-eight percent of total amounts stolen involved a “transfer” or theft of a house. This indicates the need to educate seniors on the dangers of transferring the deed of your house while living as well as the hazards of executing a general financial power of attorney.

### Chart M - Amount of Exploitation Per Type



## 4.0 Conclusion

Stealing seniors' assets are estimated to cost Utah anywhere between \$48 million to \$210 million in 2011. This amount—any amount—is too much.

Perpetrators are those closest to seniors: family members, specifically children. A substantial majority of perpetrators are using bank-related transactions to steal from seniors. Those with the closest relationships with seniors—children—are using multiple ways to access and exploit seniors. Being exploited in this manner is the ultimate crime of betrayal. To raise a family in love and then at the end of your life to be betrayed is the ultimate Judas experience. Yet no one thinks their child will go to the dark side. Unfortunately, exploitation is an ugly reality. No one raises their child to think they will be a perpetrator, and many will not. However, families are set up to be accountants managing their parents' finances – where basic banking tools of accounting are not even widely available. We are asking families to be accountants without giving them the proper tools and education.

This study also elaborates on how perpetrators prey on the vulnerabilities of seniors. Just like in the wild we have perpetrators in our society that prey on our most vulnerable seniors - those with capacity issues and those needing help with their finances. These vulnerable seniors are being exploited twice the dollar amount than victims without those vulnerabilities. Likewise, those with dementia, those reliant on their perpetrator for physical care, and those who need physical protection are also significantly exploited to a greater amount.

Seniors heralded as our greatest generation, are now under attack across our nation in one of the grimmest battles – the fight against financial exploitation.

The estimations in this study paint a picture of the potential costs of exploitation and demonstrate the need for further specific research beyond this exploratory study. This study demonstrates multidisciplinary collaborations among Adult Protective Services, banks, and law enforcement agencies could help prevent financial exploitation of seniors and thus be highly cost-effective. Specific recommendations include:

#### 4.1 Nationwide Bank Training Program

National and federal organizations should train and work more closely with banks to enhance the identification and referral of suspected financial exploitation cases to Adult Protective Services. Banks are often in a position to detect financial abuse through suspicious transactions and thus can assist Adult Protective Services and seniors in reporting and preventing abuse. Again, financial institutions are on the frontlines play a key role in preventing and stopping the transaction where it occurs. Many banks offer employee policies and training for detecting abuse, but stop there.

A bank-training program should take a holistic approach –

The bank-training model should include:

1. Bundling together all existing banking products such as senior bank accounts, automatic transfers and bill pay, payable upon death forms, special powers of attorney, and a third-party monitoring feature (see below).
2. Having an internal policy, which trains all employees (not just tellers) on how to detect abuse, dementia, and capacity issues.
3. Appointing one or more employees to be responsible for reporting suspected abuse to APS.
4. Requiring all employees to pass a test and be certified in detecting the warning signs of financial exploitation, dementia and capacity issues.

5. Providing extensive training to account specialists on the pros and cons of different account structures for seniors or people with disabilities who need help with their finances; encouraging seniors to choose account structures, which can help prevent exploitation.
  - When needing help with finances a second account should be opened only putting a limited amount of money in the second account that is needed to pay the essentials. The POA should then only have access to the second account. Thus, if the senior is exploited they have limited the dollar amount of the exploitation.
6. Providing seminars for customers on avoiding financial exploitation.
7. Banking training to detect those with dementia and capacity issues.
8. Educate banks to use their Customer Service Management system to identify those with dementia, capacity issues or repeat victims of exploitation.
9. Streamline services to a senior friendly banker and/or account representative for senior services and products.

## 4.2 Create Monitoring Option for All Banks

Utah's bank model includes an innovative third-party monitoring option, which allows a senior to authorize a third party view-only access to bank account transactions. This monitoring option allows for transparency in hopes of preventing or reducing the amount of exploitation. This tool allows families to then employ accounting principles to help prevent exploitation, reduce the stress of the caregiver, and prevent false accusations of exploitation.

## 4.3 Develop Training to Target Prevention

APS should use these findings to help target prevention. Training to seniors should focus on the methods perpetrators are using to exploit, the dangers of deeding over property, how to appropriately handle finances when one is unable to, the dangers of joint accounts and general financial powers of attorney, and limiting others access to their finances, including their children. *Navigating Your Rights: The Utah Legal Guide for Those 55 and Over*, a comprehensive resource for Utah seniors and their caregivers that discusses how seniors can prevent exploitation and prevent some of the pitfalls mentioned in this study. Utah needs to aggressively distribute this book throughout Utah.

## 4.4 Educate Seniors and Caregivers

We need to educate seniors on the dangers of getting a general financial power of attorney for both the senior and the caregiver when the senior only needs help with paying bills. Educate seniors on why adding a joint signer (i.e., child or other relative, caretaker) on their account is dangerous. Adding a joint account opens the door to exploitation, unintended tax consequences, unintended disqualification for government programs, and potential liability.

#### 4.5 Research the Banking Patterns of Seniors and Caregivers

Despite the above warnings, seniors continue to open joint accounts. More research is needed to understand why seniors continue to add a joint signer onto their accounts (i.e. easy availability, lack of knowledge, trust issues). Thereafter expertise is needed to provide integrated marketing to seniors' to influence behaviors for social change, and to determine if creating a different banking product may provide a solution.

#### 4.6 Create a Nationwide Database for Adult Protective Services Cases

No national data system exists to help APS collect this critical data. Instead, a gold mine of data sits in case notes of workers. Thus, workers are left to advocate for seniors using anecdotal stories with little supporting data. A national database is needed so that the cost of exploitation can be studied in depth.

#### 4.7 Help Seniors with Vulnerabilities

Perpetrators exploit more out of seniors who have dementia, memory issues, as well as those who need help with their finances and have limited or no capacity to consent. This highlights the imminent need to protect these vulnerable populations by creating tools and safeguards for those needing help with their finances and those with capacity issues.

#### 4.8 Create Banking Products and Software that Prevents Exploitation

Create add-on banking security software to specifically detect financial exploitation of seniors. This may be cost prohibitive and contingent on vendor willingness to create add-on modules for this purpose.

## 4.9 Conduct National Research

As noted throughout this paper, there is little national data on the cost of financial exploitation. Thus it becomes extremely difficult to understand financial exploitation and the universal impact it has on seniors, government programs, and financial institutions. Regression analysis needs to be conducted to determine which variables are the largest predictors of exploitation. To protect seniors against exploitation we need to understand how it is occurring, who is committing the crimes, how they are accessing the funds and how to predict exploitation. Without that data it is difficult to target prevention, develop products to protect, as well as to justify to policymakers and seniors why this issue is pertinent. To truly understand this issue and to target prevention more research is needed on the national level.

## 5.0 Acknowledgments

The researcher wishes to thank the seniors of Utah who have had the courage to report their exploitation, Adult Protective Services workers—our first responders who tirelessly work to help prevent and stop exploitation, Jansen Gunther, and Sharon Bertlesen for editing this report on short notice; Ashley Carson Cottingham for providing comments on our prior study; and Professor Warne, George Mason University and Professor Demakis, University of North Carolina for reviewing this study. Thanks also to Nan Mendenhall, Utah Director of Adult Protective Services and Diane Stewart, former Utah Director of Adult Protective Services, for their cooperation, support, and seeing the potential for the role that Legal Services Developers should have within the elder rights field. For additional information, please contact Jilene Gunther, [jilene@gmail.com](mailto:jilene@gmail.com).