

Commerce Department enlists CPAs to stop financial abuse of seniors this tax season

Written by

Wednesday, 27 March 2013 13:51

Commerce Commissioner Mike Rothman, for the second year, issued a letter to more than 9,000 licensed CPAs in Minnesota, to urge tax professionals to use their expertise to help spot elder fraud and financial abuse. The Minnesota Department of Commerce, under the leadership of Commissioner Rothman has made the protection of elderly and vulnerable consumers from fraud and financial scams a top priority. Minnesota CPAs can help their older clients who may have been defrauded and get them the assistance they need.

"As millions of Minnesotans prepare their taxes, we can work together in a unified front to spot the senior fraud and abuse that steals from our parents and grandparents," said Commissioner Rothman.

Seniors control 70 percent of the nation's wealth, making scams that target seniors like unsuitable financial products and phony investments very lucrative. A 2010 survey conducted by the Investor Protection Trust (IPT) showed that more than seven million older Americans (one out of every five citizens over the age of 65) have already been victimized by a financial swindle. According to the IPT, con artists scam senior citizens out of \$2.5 billion every year.

The most troubling trend by far, according to the *Journal of Elder Abuse and Neglect*, is that upwards of 80 percent of elder abuse cases go unreported. Victims of financial crimes face barriers of embarrassment, fear, and confusion.

"Licensed tax professionals have the skills to identify when their clients may be the victims of financial abuse," said Rothman. "As partners in the fight to stop fraud this tax season, accountants can recognize when the numbers just don't add up, and help raise awareness of any fraud for the victims and their families."

In preparing tax returns during 2013, Commissioner Rothman has asked all licensed CPAs to keep alert for the following signs of financial abuse in their elderly clients:

- 1. Missing or incomplete documentation.** Has your client received full and complete documentation regarding a transaction they engaged in? Is the tax information you have been provided regarding the transaction accurate and professional?
- 2. Substantial changes in income.** When compared to the prior year, has your client experienced an unusual change in interest or dividend income? If your client has experienced a significant decline in income, is it explainable? Where did the money go? If your client experienced a large increase in income, does it seem too good to be true?
- 3. Promissory Notes and Gifts.** Has your client been loaning money pursuant to long term promissory notes at interest rates that are not competitive? Has your client been gifting large sums of money to questionable third parties?
- 4. Exotic instruments.** Has your client engaged in investing in exotic forms of investment that they do not understand and cannot explain?
- 5. Fees.** If your client employs a broker, does the broker enjoy discretion over your client's

Commerce Department enlists CPAs to stop financial abuse of seniors this tax season

Written by

Wednesday, 27 March 2013 13:51

investment? If so, does it appear from year-end statements that an excessive number of trades are occurring that may be resulting in excessive fees to the broker?

6. Investment Advisor. Does your client employ an investment advisor? Do you believe the investments are not suitable given your client's age and financial situation?

7. Capital gains or losses. Does it appear that your client is reporting an unusual amount of capital gains or losses compared to their historical experience?

8. Exchanges. Has your client engaged in a 1035 exchange that is not suitable and may have resulted in merely fee generating activity for the promoter of the exchange?

If they spot suspicious activity, Commissioner Rothman asked licensed tax preparers this week to encourage their elderly clients to contact the Minnesota Department of Commerce Consumer Help Line.

"Our staff and professional investigators are standing ready to take action against crooks who take advantage of vulnerable investors," Rothman said.

The Commerce Department's Consumer Help Line can be reached by phone at (651) 296-2488 or (800) 657-3602. Questions or consumer complaints can also be directed by email to consumer.protection@state.mn.us or by mail to Minnesota Department of Commerce, 85 7th Place East, Suite 500, Saint Paul, MN 55101.