



Fight to stop financial fraud

Indiana law provides new tools to prevent elder exploitation; statewide outreach aims to improve financial literacy for all ages

by Indiana Secretary of State Connie Lawson

Since assuming the role of Indiana secretary of state in 2012, I have witnessed firsthand the devastating impact financial fraud can have on the lives of trusting Hoosiers.

To combat the estimated \$2.6 billion that victims lose to financial exploitation every year in Indiana, my office has expanded both enforcement and educational initiatives. We have taken the stance that the best way to prevent individuals from falling victim to fraud is lifelong education.

In conjunction with our office's full-time investor education coordinator, I regularly travel the state in order to educate Hoosiers young and old on the dangers of credit card debt, current scams, and the warning indicators that signal fraudulent activity.

I was alarmed to learn several years ago that only 1 in 44 cases of elderly financial exploitation are reported.

Financial fraud is particularly damaging to elderly individuals who have worked their entire lives to build retirement nest eggs and do not necessarily have time to earn back their losses.

As we looked for ways our office could further expand protections for seniors and improve reporting, we took notice of initiatives passed by state legislatures in Washington, Delaware and Missouri.

We decided to follow their example.

Partnering with financial professionals

Our office worked closely with the Indiana General Assembly this past session on the Senior Protection Act.

When the measure (SB 221) passed in March with overwhelming legislative support, Indiana became the fourth state in the nation to give financial professionals the authority to report fraud and even block the suspected fraudulent withdrawal of funds. The law took effect in July.

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Prior to passage of the Senior Protection Act, broker-dealers had no civil immunity in denying a request to withdraw funds from an account, even if they suspected fraud was taking place.

Now, broker-dealers are required to notify authorities when they witness unusual and suspicious activity and are given specific protections when doing so.

These broker-dealers are often responsible for managing retirement accounts and the first to notice unusual and potentially fraudulent activities taking place. Encouraging them to report this activity is a commonsense measure that reduces the amount of retroactive investigation needed to confirm fraud.

SB 221 also gives broker-dealers the power to refuse a request for funds if they believe the disbursement will result in the financial exploitation of the account holder.

This refusal of funds remains active for 15 days, during which time an authorized third party can be notified of the suspected exploitation. This law allows my office, law enforcement and adult protective services to work cooperatively to protect vulnerable investors.

As our population continues to age, we must remain ever vigilant and put in place commonsense protections that will prevent older adults from being victimized. The financial costs, not to mention the emotional toll, of elder abuse are staggering.

Two years ago, Indianapolis attorney Charles Blackwelder was arrested for running a Ponzi scheme that preyed on elderly investors.

For over a decade, Blackwelder and his daughter solicited more than 300 seniors for nearly \$23 million in fraudulent investments. He was caught and imprisoned, but fraudsters remain difficult to uncover, and the tradition of keeping quiet about money sometimes exacerbates the problem.

For many seniors, the topic of personal finances is an intensely private one that is never openly discussed — even among family — and this has slowed the dissemination of financial literacy across the nation.

Many of us have elderly family members who have been taken by financial scams simply because they have no idea how to respond when confronted by a fraudster. In Indiana, our senior population is a highly targeted demographic, with 1 in 5 seniors falling victim to financial fraud, including exploitation by friends and family members.

Focusing on financial literacy, security

This problem extends beyond seniors. Forty-one percent of American adults gave themselves a grade of C, D or F on their knowledge of personal finance, and in my state, two-thirds of adults who own financial investments have little to no knowledge about potential fraud schemes.

Legal protections such as the Senior Protection Act are extremely important, but we cannot understate the value of public awareness.

With that in mind, my office recently partnered with local public television to produce and promote “Scammed,” a short documentary that aims to educate citizens on the dangers of investment fraud.

The video has been aired on local stations and is available free-of-charge on our website: in.gov/sos. We are hosting screenings of the documentary across Indiana over the next 48 months, with a particular focus on seniors and citizens without regular access to media.

We also offer a number of education resources through IndianaMoneyWise.com, including personal-finance materials, debt-management tips, savings plans and guides to safe investing.

Investment fraud awareness and financial literacy go hand-in-hand, and we are constantly promoting our message through seminars, workshops, advertisements, web content and social media.

We strive to equip Hoosiers of all ages with these tools in the hopes of creating a permanent culture of security. Ultimately, an informed population is the surest safeguard against financial fraud and abuse.

My office has considered policy protections for Hoosiers in the past and will continue to do so. ✦

Indiana Secretary of State Connie Lawson, a Republican, previously served in the state Senate for 16 years and was the first woman to serve as Senate majority floor leader. She also is a 1999 graduate of CSG Midwest's Bowhay Institute for Legislative Leadership Development.

Submissions welcome

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