



A Consumer Guide for Seniors



STATE OF MARYLAND

Office of the Attorney General
J. Joseph Curran, Jr., Attorney General

My fellow Marylanders:

As the Attorney General, I have heard countless stories of financial abuse against members of our senior population every year, 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 the trustworthiness and, sadly, physical and mental deficiencies that make many older citizens a target in the eyes of unscrupulous criminals.



While my Office prosecutes many companies and individuals that commit such crimes, we can't eradicate these predators alone. Education and awareness is key, which is why I am pleased to present this “Consumer Guide for Seniors” which highlights many of the most common scams and crimes aimed at seniors today. While scams may appear in different forms, this Guide instructs you how 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 stop telemarketing calls and junk mail. My Office offers a number of other free publications, which can be obtained by visiting our Web site, www.oag.state.md.us or by calling us toll-free at 1-888-743-0023.

I urge you to read this Guide carefully to help us make your “senior years” your most enjoyable ones.

Sincerely,

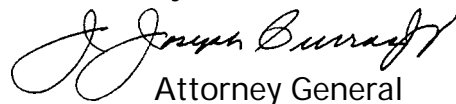

Attorney General

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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 that 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 some play the same old scams year after year, successfully. Here are some of the scams that have been around awhile and still get new victims. Here are some of the most common con games. Don't fall for them.

The Bank “Investigation”

In another bank scam, a caller poses as a bank examiner or police detective who needs your help with an investigation. The caller asks you to go to the bank and withdraw some money and give it to the phony official. Of course, you 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 stuffing envelopes, preparing mailing lists, making craft projects, or preparing doctor's bills. They 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.

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 not true. 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 is. 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 pay money to 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 money to pay taxes on your winnings. Of course, the lottery tickets were never even purchased, and there is no jackpot.

Nigerian Schemes

A letter, fax or e-mail arrives from someone who claims to be a Nigerian 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 asked to pay a fee of some kind to prove your honesty. You are at risk of losing not just that fee, but your entire bank account if you give the con artist your bank account information. If you receive such an offer, report it immediately to the postal inspector.



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.

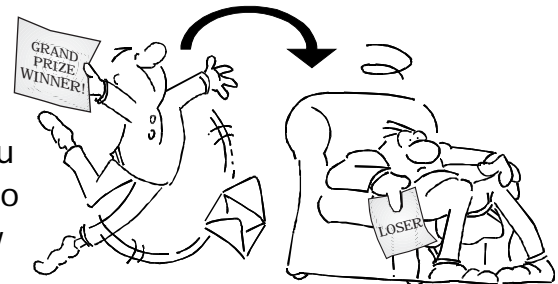
When you are contacted under these circumstances, the best advice is to just say no.

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 caller 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 other people are getting the same phone calls and mailings. 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 Maryland Secretary of State's Office** at 1 (800) 825-4510 to find out if the charity is registered in Maryland, as required.
- ◆ **Find out what percentage of your donation goes to the charity's mission.** You can also ask the Maryland Secretary of State's Office for this information. 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.

Don't be pressured into giving. Unscrupulous callers want to get your money fast. They often ask for a credit card number or offer to send a courier to pick up your check before you can change your mind. When solicited by phone, always ask the caller to send you written material about the charity. Even if the charity has an urgent need for money, the need will still exist after you read what they've sent.

Never give cash. Make the check or money order out to the organization, not an individual.

Warning signs of a charity scam:

- ◆ The organization refuses to send you written material or financial information.
- ◆ The solicitor offers to send a courier to collect your contribution.
- ◆ You receive an invoice or bill for a pledge you never made.
- ◆ The organization's name and logo closely resemble another charity with a similar purpose. Bogus charities frequently use names that resemble those of well-known, legitimate organizations. Fake charities frequently surface after national emergencies or natural disasters. The only way to be sure a charity is legitimate is to do some research before you give.

You have the right to ask as many questions as necessary to make an informed decision about whether or not to donate. If the charity you are considering resists answering your questions, don't give.

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 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 create 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 get a letter from a bank or creditor confirming your recent change of address—and you haven't moved; you get 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 to identity theft:

- ◆ Don't carry your Social Security card in your wallet, and don't print the number on your checks. Give your Social Security number only when absolutely necessary—ask to use other types of identification when possible.
- ◆ Don't leave personal information where others can see it, particularly if you have roommates, employees in the home, or are having service work done to your home.
- ◆ Be careful with your mail. If you're expecting new checks, call the bank if they don't arrive. Mailbox thieves can also steal credit card offers mailed to you. Consider getting a locking mailbox. Thieves can also steal mail you leave for the postal carrier, in order to find out your Social Security number or other personal information that may be on bill payments. Consider putting your outgoing mail into a U.S. Mail box or taking it to the post office.
- ◆ Tear up or shred credit card receipts, bank statements or credit card offers that you are throwing away. Identity thieves go through trash to find personal information.
- ◆ Never disclose any information about yourself to strangers on the phone.
- ◆ Check credit card statements and bills for unauthorized charges.
- ◆ Obtain a copy of your credit report each year to be sure it is accurate and reflects only credit actions you've authorized. Call the three major credit reporting agencies: Equifax at 1-800-685-1111; Experian at 1-888-397-3742; and Trans Union at 1-800-888-4213.

Maryland residents are entitled to one free copy of their report each year.



If you discover that someone is using your identity fraudulently, immediately report it to the fraud units of the credit bureaus (Equifax: 1-800-525-6285; Experian: 1-888-397-3742; and TransUnion: 1-800-680-7289), all creditors with whom your name has been used fraudulently, and your local police or sheriff's department.



For more steps you should take, request a copy of the Attorney General's pamphlet *Identity Theft: What to Do If It Happens to You* by calling (410) 576-6550. Also, visit the Web site of the Privacy Rights Clearinghouse, www.privacyrights.org and the Federal Trade Commission's Identity Theft Web site: www.consumer.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 over. 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.



It's best to say no thanks to these unsolicited offers, and not to 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 for it.
- ◆ Get references to see if the work was done properly, on schedule, and at the agreed price.
- ◆ Always ask to see the worker's Maryland Home Improvement Commission (MHIC) license, and get the license number and expiration date. Call the Commission at (410) 230-6309 to verify the license and to ask if any complaints have been filed against the contractor or company. If a licensed contractor you hire fails to do the job, or does it poorly, you may be able to recover your losses through the Commission's Guaranty Fund.
- ◆ Insist on a detailed contract. The contract should include: a description of the work to be done, materials, labor cost, timetable, payment schedule, completion date, names of subcontractors, warranty agreements, and clean up and financing arrangements.
- ◆ Never pay more than one-third of the total contract price in advance. (In Maryland, it's against the law for a contractor to accept more than one-third in advance). Don't sign a certificate of completion or release final payment until you have proof that the subcontractors have been paid and all the work in the contract is completed to your satisfaction.
- ◆ Because most home improvement contracts are signed in the home, you are protected by the Door-to-Door Sales Act, which gives you three business days to cancel the contract. The contract should advise you of this right. However, it's always best not to sign a contract until you are sure about your decision.



Remember:

Always check a home improvement contractor's license and complaint history by calling the Maryland Home Improvement Commission (MHIC) at (410) 230-6309.

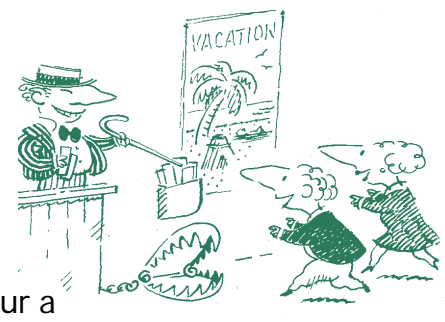
Travel Scams

Hector and Sonia signed up to win a “free trip” at a 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-pressured 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 Atlantic City. 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 (which do not always deliver what they promise) or the trip isn't really free—you have to pay a lot of fees and extra costs.

If you get 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 tactics to get you to purchase a membership or a timeshare.



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. You have 10 days to cancel a timeshare, vacation or campground membership sold in Maryland. 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 Maryland seniors.

Incredible Prices That Aren't

A different kind of travel scam offers you an “unbelievable” price on a vacation. 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 Stop Telemarketing Calls and Junk Mail

Tired of annoying telemarketing calls and junk mail filling your mailbox? There are steps you can take to get off the lists for these calls and mailings. You won't be able to stop all of them, but you *will* be able to reduce the number you receive.

To reduce telemarketing calls:

- ◆ When you get a telemarketing call, 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 10 years. Exception: nonprofit organizations do not have to comply with this law.
- ◆ Register with the Direct Marketing Association's Telephone Preference Service. This is a “do not call” list that companies that are members of the Direct Marketing Association are required to honor. You will be kept on this list for five years. Send your request, with your telephone number, to: DMA Telephone Preference Service, P.O. Box 9014, Farmingdale, NY 11735-9014.
- ◆ 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. Send your name and address 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. Your request will be honored for two years.
- ◆ 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 cards 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 calls and obtain sample 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/

Read about how to avoid telemarketing fraud at the Federal Trade Commission website, www.ftc.gov

The FTC's Telemarketing Sales Rule

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 getting 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 of receiving the prize.
- ◆ It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.
- ◆ It's illegal for a telemarketer to call you if you have asked not to be called.

Help With Medical Insurance Problems

Nancy's doctor ordered an echocardiogram to diagnose her heart problem, but her health plan refused to pay for it, saying that cardiac catheterization was sufficient. She contacted the Attorney General's Health Education and Advocacy Unit, and they were able to get the insurance plan to pay for the echocardiogram.

If your health plan refuses to pay for care that it says is not medically necessary, the Health Education and Advocacy Unit (HEAU) of the Attorney General's Office may be able to help. The HEAU helps consumers appeal their health plans' denial of coverage. By using a mediation process, and getting additional information from the patient's doctor about why the treatment was prescribed, the HEAU is often successful in getting the consumer's health plan to pay for treatment that was originally denied.

The HEAU also helps consumers:

- ♦ resolve billing disputes with hospitals, doctors, dentists, nursing homes and counselors
- ♦ get refunds of money paid for health care goods or services
- ♦ get copies of their medical records or make corrections to them
- ♦ resolve warranty problems with hearing aids, eyeglasses, wheelchairs or other medical equipment that is defective or was never delivered
- ♦ establish payment plans or qualify for charity care.

To reach the HEAU, call toll-free in Maryland: 1-877-261-8807 or (410) 528-1840
Fax: 410576-6571

In Emergency Situations

If you or your doctor believe that you need urgent care, but your health plan does not agree, you should call the Maryland Insurance Administration's toll-free number (1-800-492-6116). That agency will render a decision within 24 hours and can order the plan to pay for the treatment.

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 that 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.

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 office 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.
- ◆ Be suspicious 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 Maryland Home Improvement Commission, (410) 230-630, to see if the company is licensed, as required.

The "Wheelchair Lemon Law"

If you buy or lease a motorized wheelchair, you are protected by the Maryland Motorized Wheelchair Warranty Enforcement Act. This law requires the manufacturer of a motorized wheelchair to give the consumer a warranty that covers parts and performance for at least one year. 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, less a reasonable amount for use.

Hearing Aids

Evelyn spent \$2300 for hearing aids, but found them to be useless. Although she informed the seller, he repeatedly insisted she simply needed more time to get used to them. The sales contract didn't include the 30-day notice of cancellation as required by law. After contacting the Attorney General's Consumer Protection Division, she was able to get a refund.

Hearing aids and batteries can be expensive. If you're fitted improperly, you could end up with a costly device that winds up inside your bureau drawer instead of inside your ear. Also, some Maryland seniors have been cheated out of thousands of dollars by dishonest hearing aid sellers. One seller, using free hearing tests, persuaded low-income, elderly consumers to buy hearing aids they didn't need at an average cost of \$2,000 a pair.

The first step in buying a hearing aid is making sure your problem is diagnosed properly, since a hearing loss may be a symptom of a more serious medical condition. In fact, your hearing must be evaluated by a doctor before you buy a hearing aid, unless you sign a statement saying you've waived that protection. *Don't sign it.* It's always wise to have a doctor test your hearing so you can find out what's causing your hearing loss and exactly what your hearing needs are.

Once your doctor confirms you need a hearing aid, you'll need a fitting. Hearing aids can be difficult to fit, often requiring several adjustments, so it's important to find a seller who will promptly respond to your concerns and work with you to resolve fitting and volume adjustment problems. Also look for a seller who will teach you how to use the device, and will be available to service it. Get a referral from your doctor or friends.

- ◆ Under Maryland law, audiologists, hearing aid dispensers and physicians may fit hearing aids. Contact the Board of Audiologists, Hearing Aid Dispensers and Speech-Language Pathologists (410-764-4725) to verify a seller's license. You may contact the Board of Physician Quality Assurance (410-764- 2475) to confirm that a doctor is licensed to practice medicine in Maryland.
- ◆ Find out exactly what's included in the price of the hearing aid, and get it in writing. Are there extra charges for molds, accessories or adjustments? Does the purchase price include maintenance service, follow-up checks and free hearing aid inspections?
- ◆ Under Maryland law you may cancel a contract to buy hearing aids for any reason within 30 days of delivery and receive a full refund, less 10% for services. In situations where sellers document expenses greater than 10%, they may withhold their actual expenses up to 20% of the sales price.
- ◆ If you purchase a hearing aid from a seller who comes to your home, you have three days from the date of the sale to cancel the purchase and get a full refund.

Miracle Cures

Several Maryland people 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. The Attorney General’s Office found that the developer of the product had lied about his medical background and had no valid scientific proof that his product worked. The Office sued the company and ordered its principal owners to pay-in fines, penalties and restitution to consumers.

According to the Federal Trade Commission, consumers waste billions of dollars on unproven, sometimes useless health care treatments. Because older people as a group have more chronic illnesses than younger people, they are likely 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.

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.

A Word About Arthritis “Remedies”

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 1-800-283-7800.

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 the investment was not secured by anything. The money was gone, and the insurance agent was not registered to sell securities in Maryland.

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 asking for money. Almost anyone can sound nice or honest on the telephone. A favorite tactic of telephone con artists is to develop a false bond of friendship with older people, who may be eager to have someone to talk to on the phone.

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. When a stranger describes a promising investment, always ask yourself: “If this investment opportunity is as good as the salesman says, why is he calling *me*, instead of keeping it for himself and his friends?”

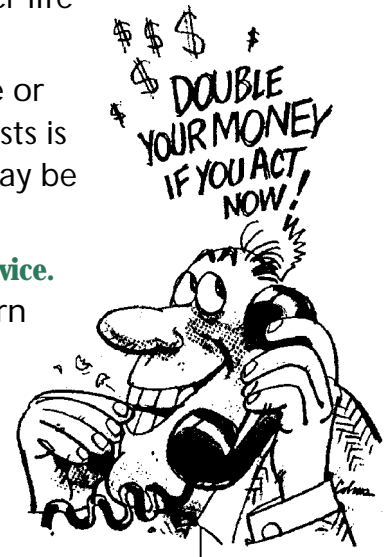
If an investment sounds “too good to be true,” it probably is.

Some unscrupulous companies try to entice investors with promises of returns as high as 25%, 50% or even 500%. Such claims are usually fraudulent.

Keep personal information private. Never give out personal financial information such as credit card or bank account numbers or balances over the telephone unless you are absolutely certain that the caller is legitimate.

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 the scam.

- ♦ 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.

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. The Maryland Securities Division (410-576-7784) maintains and has access to databases with information about brokers, investment advisers, and specific securities.

Keep tabs on your investments.

- ♦ Be wary when a financial planner says "leave everything to me."
- ♦ Monitor the activity on your account. Insist on receiving regular statements.
- ♦ Never be embarrassed or apologetic about asking questions about 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 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 Securities Division and file a complaint. Don't let embarrassment or fear keep you from reporting investment fraud or abuse.

Maryland Securities Division: (410) 576-6360

Common Investment Scams

Here is a list of the top 10 investment scams, from the Maryland Securities Division:

1. Unlicensed individuals, such as life insurance agents, selling securities. The Securities Division has brought more than 30 cases involving unregistered life insurance agents selling unlicensed securities in the form of promissory notes and viatical investments. In virtually all of the cases, the investors lost the money they invested. To verify that a person is licensed or registered to sell securities, call the Maryland Securities Division. If the person is not registered, don't invest.

2. 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. From automated teller machine programs, to “gifting” programs at some churches, to foreign exchange scams targeted at particular immigrant groups, the Maryland Securities Division has pursued numerous cases involving affinity frauds against both religious and ethnic groups. Be wary—no community seems to be without con artists who seek to exploit others for financial gain.

3. Ponzi/pyramid schemes. Always in style, these swindles 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. 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.

4. 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. The Maryland Securities Division participated in an enforcement sweep during which more than 30 actions were brought against the companies and selling agents involved in these fraudulent schemes.

5. 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.

6. Payphone and ATM sales. Twenty-five states including Maryland and the District of Columbia recently took actions against companies and individuals that took roughly 4,500 people for \$76 million selling coin-operated customer-owned telephones. Investors leased payphones for between \$5,000 and \$7,000 and were promised annual returns of up to 15 percent. Regulators say the largest of these investments appeared to be nothing but Ponzi schemes.

7. “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. In Iowa, for example, a retiree in her 70s invested over \$100,000 of her 97-year-old mother’s money in three “callable” CDs with 20-year maturities. Her intention, she told her broker, was to use the money to pay her mother’s nursing home bills. Regulators say sellers of callable CDs often don’t adequately disclose the risks and restrictions.

8. Vatical 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 new twist, the Maryland Securities Division says “senior settlements” — interests in the death benefits of healthy older people — are now being offered to investors.

9. 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.

10. Investment seminars. Often the people getting rich are those running the seminar, making money from admission fees and the sale of books and audiotapes. These seminars are marketed through newspaper, radio and TV ads. Regulators urge investors to be extremely skeptical about any get-rich-quick scheme.

Financial Exploitation

Margaret, who was getting frail, allowed a woman to move into a room in her home in exchange for helping her with some light errands. Several months later, Margaret's daughter discovered that the woman had stolen thousands of dollars from Margaret's 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 number.
- ◆ Check your financial statements promptly and carefully for unauthorized withdrawals.
- ◆ Be cautious of joint accounts. Consider a convenience account instead.
- ◆ Build good relationships with the professionals who handle your money.
- ◆ Don't give any account number to a stranger.



The Attorney General's Office sponsors Project SAFE, an initiative to combat financial exploitation. Call to request a copy of the pamphlet "Protect Your Life Savings: Don't Become a Victim of Financial Exploitation" by calling (410) 576-6550.

For more information, contact the Maryland Department of Aging, toll-free:
1-800-AGE-DIAL

To report suspected financial exploitation, call the Maryland Department of Human Resources, toll-free: **1-800-917-7383** TTY: **1-800-735-2258** Monday through Friday 8 a.m. to 5 p.m.

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 in 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.
- ♦ Ask if credit insurance is required as a condition of the loan. If it isn't, and a charge for it is included in your loan and you don't want it, ask that the charge be removed from the loan 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 Web site at www.aarp.org or the specific Web page www.aarp.org/confacts/money/predlend.html

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 \$1500 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 the 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 assets currently. However, living trusts are not the best estate planning choice for most people in most circumstances.

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

- ◆ greatly exaggerate the cost and delay of probating a will. In fact, Maryland's probate process is relatively uncomplicated. Maryland has a streamlined probate procedure for small estates (net estate \$30,000 or less), 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 Maryland, probate fees are modest. For example, the probate fee for an estate as large as \$200,000 is only \$400.
- ◆ 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 Maryland and who specializes in estates and trusts.

For more information:

The Maryland State Bar Association and the Register of Wills Association of Maryland has a pamphlet, "Living Trusts: Get the Facts!" that is available from your county's Register of Wills office or at the State of Maryland Register of Wills Web site:

www.registers.state.md.us/html/livingtrusts.html

The American Association of Retired Persons (AARP) offers the publication, "A Consumer's Guide to Living Trusts and Wills." See the AARP Web site at www.aarp.org.

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 internment, which cost an additional \$795.

Many people choose to prepay for their funerals and burials in order to make things easier for their families when they pass on. The consumer signs a pre-need contract with a cemetery or burial goods business, such as a retail monument dealer or retail casket company, or with a funeral home.

If you are considering such a contract, you should make sure the plan specifies exactly what goods and services you will receive. You should ask for a list of all goods and services that are not included in the contract. Before signing a pre-need contract, ask a trusted advisor, such as a lawyer or accountant, to review it with you.



A cemetery may not charge interest or finance charges for pre-need burial contracts that do not provide for goods or services to be delivered or performed before death. However, if a cemetery sells your contract to a commercial lending institution, that institution may charge you interest or a finance charge on the remaining balance due.

You have the right to receive a copy of the signed contract, which describes each good and service you have selected and the total cost. Make sure your family knows about the plans you've made, and give a copy of the contract to the person who will be responsible for your funeral.

The law gives you some specific cancellation rights in pre-need contracts:

- ◆ If a pre-need sales contract was signed in your home or anywhere else other than the place of business of the seller, you may cancel the contract by written notification received by the seller within three business days.
- ◆ You can cancel or transfer a pre-need contract with a funeral home at any time. You will receive a full refund of the money you have paid plus any interest earned. If the arrangement is in an irrevocable trust, then all the money in the trust will be transferred when you have made new arrangements with a new funeral home.

- ◆ You have the right to cancel a pre-need burial contract with a cemetery if goods and services have not been delivered or performed and you move more than 75 miles from the cemetery. This cancellation does not apply to burial spaces in the ground or in a mausoleum. You are entitled to receive the proceeds of the trust up to a maximum of 55 percent of the total contract price.
- ◆ You can cancel the sale of a casket from a cemetery or retail casket company at any time prior to the death of the intended user and receive a full refund with interest.

For more information:

For more information about pre-need contracts for cemetery purchases, contact the Maryland Office of Cemetery Oversight at (410) 230-6229. For more information about pre-need contracts for funeral home services, contact the Maryland State Board of Morticians at (410) 764-4792.

Helpful Resources

Consumer Protection Division, Maryland Attorney General's Office

Web site: www.oag.state.md.us/consumer

General consumer complaints:

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

9 a.m. to 3 p.m., Monday-Friday

(410) 528-8662

Toll-free: 1-888-743-0023

TDD for the deaf: 410-576-6372

Help with medical billing and health insurance problems:

8 a.m. to 5 p.m., Monday-Friday

Toll-free 1-877-261-8807

TDD: 410-576-6372

Branch Offices

Cumberland

9 a.m.-12 p.m., 3rd Tuesday of each month

(301) 722-2000

Frederick

9 a.m.-1 p.m., 2nd and 4th Thursday of each month

(301) 694-1071

Hagerstown

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

(301) 791-4780

Salisbury

8:30 a.m.-4:40 p.m., Monday-Friday

(410) 543-6620

Southern Maryland

Hughesville

(301) 274-4620

Toll-free: 1-866-366-8343

9:30 a.m. to 2:30 p.m., Tuesdays

Maryland Securities Division, Maryland Attorney General's Office

To register complaints or get information about financial brokers

410-576-6360

TTY: 410-576-6372

www.oag.state.md.us/securities

Maryland Office on Aging

1-800-AGE-DIAL

Maryland Home Improvement Commission

To check that a contractor is licensed or check a contractor's complaint history

410-230-6309

Maryland Office of Secretary of State, Charitable Organizations Division

To check whether a charity is registered and get information about charities

1-800-825-4510

Federal Trade Commission

www.consumer.gov

American Association of Retired Persons

www.aarp.org

Please use this space for notes and other resources:
