

HELP PROTECT YOUR CLIENTS FROM SECURITIES FRAUD

KNOW THE WARNING SIGNS

Senior citizens and the lifetime of retirement assets they have accumulated are particularly vulnerable to fraud and financial abuse. CPAs preparing tax returns are in a powerful position to stop fraud and abuse in its tracks – especially scams that target senior citizens.

WHAT TO WATCH FOR

In preparing tax returns, be alert for signs that your elderly or vulnerable client may be exposed to financial abuse or fraud. If fraud or theft is discovered, one or more of these indicators will almost always be present.

- **Lack of Documentation:** Missing documents that an investor should receive in preparation for tax season can mean someone is trying to hide fraudulent activity.
- **Unusual Gains or Losses:** If your client's current return differs a great deal from past returns and shows unusual gains or losses, they could possibly be a victim of fraud.
- **Being Paid in Stock:** A stock is worth what you can sell it for, and values change. At a minimum, a client should make sure the stock is registered.
- **Distribution from a Qualified Plan that Was Not Rolled Over:** A lump-sum distribution from a retirement, college savings, or other tax-deferred plan that is not rolled into another plan could indicate theft or fraud.
- **Missing Interest or Dividends when Previously Reported:** If your client's interest or dividends reported in previous years have significantly diminished, the client may have been lured away from safe, income-producing investments to risky investments.
- **Exotic Investments:** Complex, exotic investments can confuse investors, and are often used by con artists to hide their theft.
- **Handwritten Tax Documents:** Handwritten documents are legal, but they are unprofessional and can be an indication of fraud.
- **Large Number of Trades:** If you see excessive or unauthorized trading in an investment account, it could be a sign the brokerage firm or broker is not working in their client's best interest.
- **1035 Exchanges:** A 1035 exchange may indicate your client has been pitched to move from one reasonable investment into a similar replacement for the purpose of generating a commission for the broker.
- **1031 Exchanges:** All 1031 exchanges should be scrutinized. Decreasing active participation in an investment increases the potential for fraud.

This document was prepared cooperatively between the Pennsylvania Department of Banking and Securities (DOBS) and the PICPA as part of an ongoing partnership to protect the elderly in Pennsylvania.