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The Scope of Elder Financial Exploitation: What It Costs Victims

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Introduction

Every year, millions of older Americans lose significant portions of their life savings to elder financial exploitation, and the problem is only growing. During the pandemic, the rate of exploitation doubled, and some pandemic-related forms of exploitation are here to stay.¹

Elder financial exploitation (EFE) is “the illegal or improper use of an older adult’s funds, property, or assets.”² Perpetrators range from family members and other people a victim knows (sometimes referred to in this report as “known others”) to professional criminals. Through this kind of exploitation, many victims are stripped of a significant part of their retirement savings.^{3,4} Getting restitution⁵ is nearly impossible, and re-earning that money takes time, when time is not on an older victim’s side. Victims often lose not only key resources that can jeopardize their current and future financial security but also a degree of their own dignity.⁶

Getting at the true financial scope of this immense problem has been elusive. To start, many victims never report EFE because of shame and embarrassment.⁷ In fact, the tendency to not report an incident may be greatest when the perpetrator is related to the victim.⁸ Victims may not want to publicly cast shame on their family; they may rely on the perpetrator for needed care and not want to jeopardize that care, or they may simply not want the family member to be prosecuted.

The impact also reaches other parts of society. With a victim’s funds depleted, family caregivers are even more likely to incur costs to provide care.⁹ The financial industry, unsurprisingly, loses billions of dollars each year to EFE,¹⁰ while taxpayers bear an increased burden in the form of the public programs and other resources needed to assist those victims who are financially devastated.^{11,12}

Moreover, the cost of EFE extends well beyond financial losses.¹³ Victims of these crimes suffer declines in mental health that coincide with the emotional distress of feeling tricked and misled.^{14,15} Physical health of victims is also at stake; evidence links EFE to cardiovascular problems¹⁶ and possibly even earlier death.¹⁷

Accurately quantifying the amount of total financial losses can be a start toward understanding the scope of the problem, even in terms of beginning to understand the breadth of nonfinancial impacts. In this paper, using a first-of-its-kind methodology to measure the annual financial cost of EFE in the United States, we find that victims over age 60 lost \$28.3 billion.

\$28.3 Billion **Victims of EFE lose \$28.3 billion annually.**

METHODOLOGY: TACKLING PREVIOUSLY ELUSIVE TOTAL-COST FIGURES

Approximating annual financial losses due to EFE is difficult—as evidenced by the extreme range of estimates from previous attempts: \$2.9 billion,¹⁸ \$36.5 billion,¹⁹ and \$273.5 billion.²⁰ Part of the issue is that there is no single national data set for EFE costs, so some previous studies may have relied on reporting mechanisms that included overlapping data, whereas others used only partial or incomplete data.²¹

To be sure, previous attempts to estimate annual financial losses from EFE have faced several challenges. Two well-cited earlier estimates drew on separate data sources, one based on Newsfeed articles from the Administration on Aging’s National Center on Elder Abuse²² and one that used a caregiving survey to extrapolate losses based on caregiver accounts of their care recipients’ EFE experiences.²³ Both studies were limited by having nominal sample sizes and are now nearly a decade old. Additionally, neither study adjusted for underreporting using different rates for stranger-perpetrated and known other-perpetrated EFE, a key distinction we explain later in this paper.

A much more recent study that also overlooks this key distinction comes from Comparitech.²⁴ Although it compiles data from multiple data sources, the study applies an underreporting estimate (1 in 23.5) that was meant to be applied to all forms of abuse (not just financial),²⁵ and it uses data sets that are limited or use inconsistent reporting practices.

For example, Comparitech’s study uses data from Adult Protective Services (APS) but notes a lack of reporting from some states. Indeed, as other sources have pointed out, the challenge of using APS data to calculate the cost of EFE is that state APS agencies are not currently required to submit data on the amount of monetary losses for inclusion in the National

Adult Maltreatment Reporting System (NAMRS).²⁶ Further, “APS can differ from state to state and even from county to county in terms of definitions, client eligibility requirements and standards of practice.”²⁷ As such, many do not report costs to NAMRS. To address this, Comparitech computed estimates for states that do not provide data.

For this report, AARP collaborated with NORC at the University of Chicago to provide the most comprehensive, accurate, and up-to-date analysis of EFE losses experienced by adults over the age of 60. While previous studies use sources that define older adults by varied age ranges (such as age 60-plus, 65-plus), our sources allow us to specifically consider cases involving people over 60—the definition of older adult used by several federal agencies. Thus, for purposes of our research and this report, “older adults” refers to those over 60.

Meanwhile, keeping in mind the challenges other researchers have faced, we improve on past approaches (see table) in three ways: (1) using three highly regarded data sets, (2) accounting for possible duplicate cases across data sets, and (3) employing a more nuanced methodology that corrects for underreporting rates based on the perpetrator’s relationship to the victim.

Using Highly Regarded Data Sets

Our research draws on three of the key sources of financial exploitation data maintained by federal agencies, as identified by the US Government Accountability Office.²⁸

- **Consumer Sentinel Network (Sentinel)**, consisting of consumer reports of fraud collected and compiled by the Federal Trade Commission from various government and nonprofit sources.
- **Internet Crime Complaint Center (IC3)**, consisting of consumer reports of cybercrime submitted to the Federal Bureau of Investigation (cost data included in IC3 do not overlap with data in the Sentinel report).
- **EFE Suspicious Activities Reports (EFE SARs)**, a database of EFE reports made by financial institutions to the Department of the Treasury.

Adjusting for Possible Duplication of Reported Cases Involving Strangers

We adjusted our estimates to reduce the possibility of double-counting cases that may have been included in more than one data source.²⁹ We did so by taking into account a published analysis of EFE SARs filings that concluded, “Fewer than one-third of EFE SARs [28 percent] specify that filers reported the activity to Adult Protective Services, law enforcement, or other authorities,”³⁰ and thus adjusted accordingly to give us a conservative yet holistic estimate.

Calculating Unreported EFE

We also incorporated into our methodology the understanding that underreporting rates differ dramatically between instances of stranger-perpetrated and known-other-perpetrated EFE. Until recently, the percentage of EFE cases going unreported nationally was, for the most part, unknown. However, clarity about that information has begun to emerge. According to a 2020 study published in the *Journal of Applied Gerontology*, victims reported only 12.5% of EFE cases perpetrated by known others compared with 67% of EFE cases perpetrated by strangers.³¹

Bolstered by that information, a third key dimension of our methodology that distinguishes it from prior approaches is that we quantified losses from unreported EFE based on those percentages of whether the perpetrator is a stranger or someone the victim knew.

FIGURE 1: ABOUT 1 OUT OF 10 VICTIMS OF KNOWN-OTHER-PERPETRATED INCIDENTS REPORT THEM

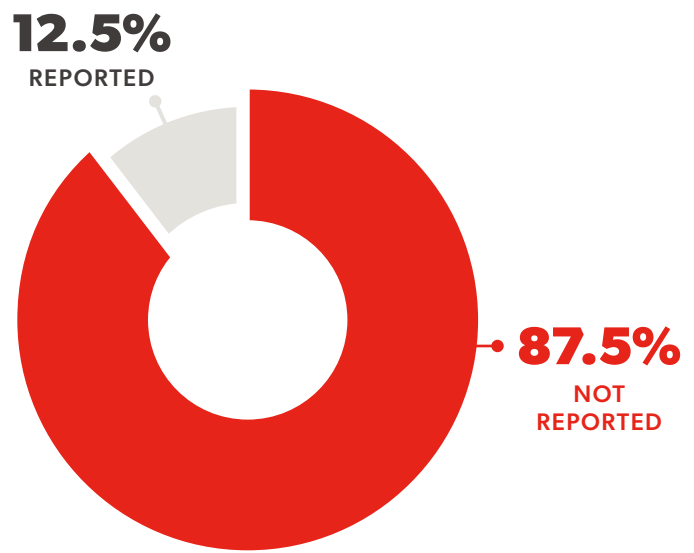
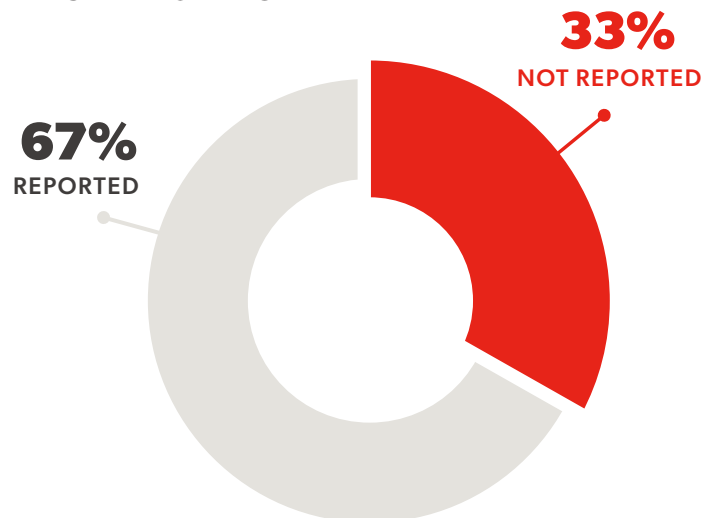


FIGURE 2: IN CONTRAST, 2 OUT OF 3 VICTIMS OF STRANGER-PERPETRATED INCIDENTS REPORT THEM



Figures 1 and 2: R. Acierno et al., "Relevance of Perpetrator Identity to Reporting Elder Financial and Emotional Mistreatment," Journal of Applied Gerontology 39, no. 2 (2020): 221-225.

Using the *Journal of Applied Gerontology* findings, we increased the amount of losses reported proportionately to account for the 87.5% and 33% of unreported EFE cases perpetrated by known others and strangers, respectively. In doing so, we assumed that the amount taken from those not reporting is the same, on average, as those reporting.

Following is a breakdown of our calculations.

TABLE 1: SUMMARY OF APPROACH*

CATEGORY	SENTINEL (Strangers)	IC3 (Strangers)	EFE SARs (Strangers & Known Others)	TOTAL
REPORTED LOSSES (60+)	\$1.6 billion	\$3.1 billion	Strangers: \$.9 billion Known: \$2.5 billion Total Losses: \$3.4 billion	\$8.1 billion
ADJUSTMENT FOR CROSS-DATABASE DUPLICATES (Strangers)	n/a	n/a	(\$0.3 billion)	(\$0.3 billion)
PROJECTED UNREPORTED LOSSES (Strangers)	\$0.8 billion	\$1.6 billion	\$0.3 billion	\$2.7 billion
PROJECTED UNREPORTED LOSSES (Known Others)	n/a	n/a	\$17.8 billion	\$17.8 billion
TOTAL	\$2.4 billion	\$4.7 billion	\$21.2 billion	\$28.3 billion

*To calculate adjustments and estimate unreported losses for EFE SARs, we first used the reported average losses per stranger-perpetrated (\$17,000) and known-other-perpetrated (\$50,000) EFE to estimate the proportion of total losses based on perpetrator type.³² Second, we assumed a 28% overlap between stranger-perpetrated SARs EFE and Sentinel or IC3 data³³ and reduced our stranger-perpetrated EFE estimate by that amount (\$0.3 billion). No reduction was made to the known other-perpetrated EFE estimate, because neither Sentinel nor IC3 includes EFE attributed to known-other perpetrators. We then used the estimates for each perpetrator type to project unreported losses using the method detailed in this report. We also assumed that amount lost in reported cases is the same as the amount in unreported cases.

\$2.4 Billion Stolen from Adults Ages 60+ Based on Consumer Reports (Sentinel)

The 2022 Consumer Sentinel Network data show that EFE victims reported losing \$1.6 billion.³⁴ Since most perpetrators of consumer-reported EFE included in this data set are strangers, it is likely that this figure accounts for only 67% of the total amount stolen. Using this, we estimate that \$0.8 billion was stolen from victims of EFE but not reported, and thus not included in the Sentinel database.

When adding in the missing estimated 33%, we estimate that Sentinel losses are closer to **\$2.4 billion** stolen. This is only a fraction of the total losses to older adults from stranger-perpetrated EFE. To get a more complete picture of stranger-perpetrated EFE, we added in losses reported based on IC3 and SARs data.

\$3.1 Billion Stolen from Adults Ages 60+ Based on Cyber Crime Complaints (IC3)

The 2022 Internet Crime Complaint Center data show that victims reported losing \$3.1 billion from stranger-perpetrated EFE.³⁵ Because of underreporting, consumer-reported losses from the IC3 likely constitute only 67% of the total amount that strangers stole from older adults. After including the \$1.6 billion stolen from victims of EFE, but not reported and thus not included in the IC3 database, the actual amount stolen totals an estimated **\$4.7 billion**.

Given no overlap between Sentinel and IC3 cases,³⁶ this brings the running total cost of stranger-perpetrated EFE to older adults to **\$7.1 billion**.

\$21.2 Billion in EFE Crimes Committed by Stranger and Known Perpetrators (EFE SARs Data)

The \$3.4 billion lost according to 2020 EFE SARs data includes both stranger and known-other-perpetrated crimes against older adults. Thus, we used a similar approach as above to estimate unreported stranger- and known-other-perpetrated losses (i.e., 33% EFE does not get reported). But first, we used the reported average losses per stranger-perpetrated (\$17,000) and known-other-perpetrated (\$50,000) EFE to estimate the proportion of total losses based on perpetrator type. Second, we assumed a 28% overlap between stranger-perpetrated SARs EFE and Sentinel or IC3 data and reduced our stranger-perpetrated EFE estimate by that amount (\$0.3 billion).

For the known-other perpetrators, we used the assumption that 87.5% of cases do not get reported. No reduction was made to the known-other-perpetrated EFE estimate beforehand, because neither Sentinel nor IC3 includes EFE attributed to known-other perpetrators.

Our total EFE SARs estimate of losses is **\$21.2 billion, of which \$0.9 billion was stolen by strangers and \$20.3 billion by known others.**

FINDINGS: FINANCIAL HARM TO PEOPLE TOTALING IN THE BILLIONS

Two key data points that emerged from our analysis illuminate the scope of the problem of EFE.

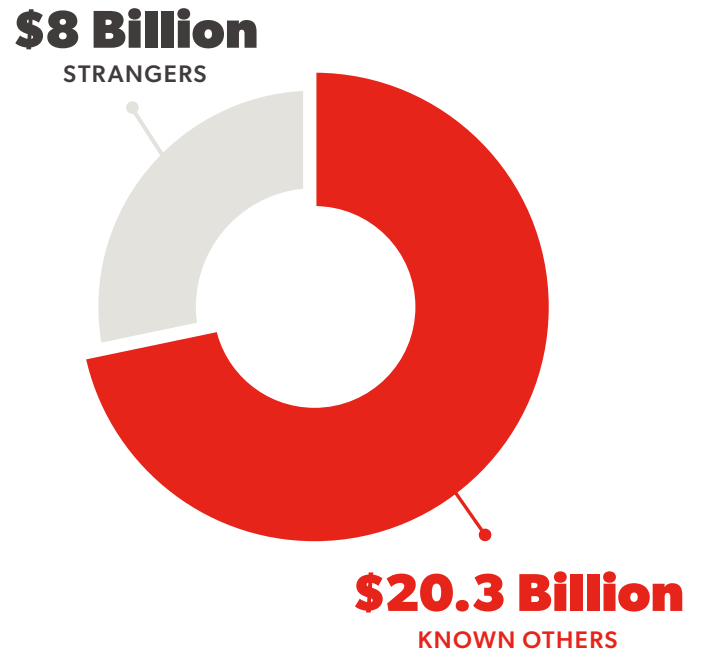
Criminals steal \$28.3 billion from older adults each year.

This figure emerges from a methodology that includes, among other attributes, using several highly regarded data sets, accounting for possible duplicated reported cases, and correcting for underreporting rates based on the perpetrator's relationship to the victim (i.e., stranger vs. known other). (See figure 3.)

EFE by known others accounts for nearly three-fourths of losses.

Of the \$28.3 billion, known others—such as family, friends, and caregivers—were responsible for stealing **\$20.3 billion**, while **strangers** were responsible for **\$8 billion**. That translates to 72% of EFE dollars being taken by known others.

FIGURE 3: \$28.3 BILLION STOLEN VIA EFE



Conclusion

Through a first-of-its-kind methodology, we calculate and examine the direct annual cost of elder financial exploitation to victims, approximating **those costs at \$28.3 billion annually. Using three key sources of financial exploitation data identified by the US General Accountability Office along with a method that accounts for both unreported cases and duplicate cases found in different data sets, our estimate employs a novel approach that both illuminates the full scope of the issue and provides greater understanding of who is behind these crimes—that is, people the victim knows, or known others, versus strangers.**

The total cost to victims emerges by examining a variety of data and sources in combination. While our data sources—Sentinel, IC3 and EFE SARs—show annual reported EFE losses at \$8.1 billion, we estimate that \$.3 billion of reported losses are duplicative across those sources and an additional **\$20.5 billion goes unreported**.

As for understanding the source of the problem, **the lion's share of total losses—about 72%** (\$20.3 billion)—arises from fraud by **people the victim knows**, compared with **losses from stranger-perpetrated incidents** (28%, \$8 billion).

The nature of stranger-perpetrated fraud bears little resemblance to fraud initiated by people the victim knows. To start, while strangers may rely on quick and irreversible transactions such as gift cards or wire transfers, perpetrators familiar to the victim are more likely to make incremental inroads, gaining direct access to funds, for example, by attaining joint ownership or power of attorney status on their victims' accounts.^{37,28}

This analysis provides a starting point for further work and underscores the need for data development. While we have produced an improved approach to working around data shortcomings, better data remain a must for even greater understanding of the issue. To better prevent the financial exploitation of older adults, we must understand the problem in full and act on that understanding.

First, we must provide federal funding to states to mandate and **standardize data collection procedures of Adult Protective Services (as General Accountability Office has recommended in the past)**. This would enhance the picture of EFE. Second, we must tailor **evidence-based intervention strategies based on perpetrator type**.

In the meantime, understanding of the problem continues to grow with a dollar cost identified and awareness of the need to look well beyond dollar figures—because the true cost extends far beyond the \$28.3 billion calculated here. There are the rippling effects within society, such as in the form of tax dollars spent on programs needed by those whose resources are depleted from EFE, not to mention the billions of dollars lost by the financial industry, for which consumers ultimately pay. And then there are the truly human impacts, which other research has begun to identify, such as on older adults' mental and physical health.

Thus, this analysis serves as a starting point, providing an up-to-date and reliable baseline on which forthcoming measures of EFE, and solutions for it, can build. An ever-increasing understanding of EFE will enable the development of interventions that can protect older adults, and society at large, from the seismic impacts of this pervasive problem.

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