Surprise: Retirees aren’t that vulnerable to fraud

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True or false: The elderly are at greater risk than younger people of getting scammed.

If you said “rue” you’re not alone: Media articles, academic papers, and consumer surveys often indicate the elderly are prime targets for scam artists.

But such a conclusion is flat-out wrong, according to a recent study by three professors at the University of Waterloo in Ontario, Canada.

“There is no clear indication that (fraud) is more prevalent among older persons,” the authors say. In fact, they add, “there is evidence that consumer fraud is less common among older persons than adults of other ages.”

How could that be? After all, studies, surveys, and statements from sources as varied as AARP, scholars and the Federal Bureau of Investigation have concluded the opposite. And legislatures in 14 states have proposed or enacted laws aimed at protecting older adults from financial crimes.

Things retirees won't tell you

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Each day, roughly 10,000 baby boomers turn 62—the average age for retirement. MarketWatch's Catey Hill describes some surprising trends among retirees.

The problem, the Waterloo professors say, is that most of the evidence cited to support the vulnerability of older people is anecdotal.

When the authors looked at what they considered more reliable sources—including representative surveys of the general population, Federal Trade Commission data on fraud complaints, and databases of fraud victims—they concluded that consumer fraud is less prevalent among older people.” Consider:

- The FTC, which conducted telephone surveys asking about consumer fraud in 2004, 2007 and 2013, found that “participants’ reports of the prevalence of fraud declined steadily after 54 years of age, with the oldest age group indicating the lowest level of fraud.” In the 2013 survey, 7.3% of participants ages 65 to 74 and 6.5% of those 75 and older said they had recently experienced consumer fraud. In comparison, 14.3% of those ages 45 to 54 said the same.
- Six other surveys, all of them representative of the general population, also concluded that “older adults are less likely to report experiencing consumer fraud than are adults of other ages.” Generally, these surveys asked participants whether they had been victims of consumer fraud within five years of the survey.
- The authors’ own data crunching—using the FTC’s consumer complaint databases, which include complaints from the FBI, state attorneys general, the Better Business Bureau, and the U.S. Postal Inspection Service—concludes that “middle-aged adults were the most likely and older adults were the least likely to complain about consumer fraud.” Moreover, victims age 60 and up were the least likely to report losing money.

The authors attribute some of the willingness to believe that elders are especially vulnerable to negative stereotypes about aging. Many academic researchers who have done work on this topic cite age-related cognitive declines, including memory loss, in making the case for vulnerability among the elderly, says co-author Igor Grossmann, an assistant professor of psychology.

But while cognitive declines are real, the Waterloo researchers argue they are largely beside the point when it comes to consumer fraud. “Arguably…cognitive ability is less important than experience when it comes to resisting frauds,” the authors write. And when it comes to experience, older people simply have more. To avoid fraud, “often, one must simply recognize that the offers are too good to be true,” the professors note.

Moreover, older adults are more likely to be risk-averse—and so they may tend to stick with tried-and-true investments rather than take a flier on sales pitches promising out-sized returns.

While older people may have more assets than their younger counterparts, “income and consumption tend to peak in middle age,” making elders less attractive targets, the paper notes. “If older persons engage in less risky financial behavior, make fewer big purchases and are careful with their spending, they may encounter fewer fraudsters,” the authors say.

The upshot: “Through their undocumented speculations, researchers lend apparently scientific credence to a negative stereotype of older person as especially weak and gullible.”