

BEDEL FINANCIAL CONSULTING, INC.

Financial Planning and Investment Management

Spring 2016 Financial Fraud Against Seniors

By: Meredith Carbrey, CFP®
Wealth Advisor

Five million! That's the number of financial fraud cases perpetrated against seniors in the United States each year according to a recent study by Consumers Digest. However, caregivers, law enforcement or government officials only learn about one in 25 cases.

Most cases go unreported or are discovered long after the crime has been committed, leaving family members and law enforcement at a loss for what to do. The best preventive approach is to educate seniors so they're less vulnerable to fraud.

Why seniors?

According to the FBI, scammers prefer to target senior citizens because they are more likely to have savings, to own their home and to have excellent credit. There is also a higher probability they will be home when the criminal comes calling. Often they are physically or mentally disabled or distraught over the loss of a spouse. Moreover, this generation was typically raised to be polite and trusting, making them more likely to take the call or open the door. Plus, they may be lonely and welcome the company.

Seniors are also less likely to report fraud than other age groups. They may not know the reporting process or they may feel ashamed.

A big barrier to reporting fraud is the fear that their relatives may think they are no longer able to live on their own.

Con artists also realize that seniors' memories are not as sharp as they once were, making them poor witnesses. And if seniors do not discover the scam for weeks or months, the details are even more blurred.

Telemarketer scams

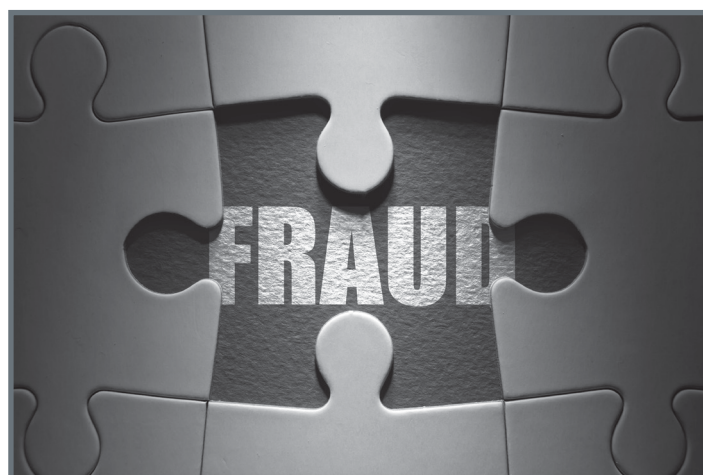
The U.S. Department of Justice estimates that telemarketers scam around \$40 billion a year from one in every six Americans. Approximately 80 percent of their victims are age 50 or older. Scammers use the phone for investment and credit card fraud, lottery scams, identity theft and for selling non-existent goods.

One of the best ways for all Indiana residents to protect themselves against phone scammers is to register for the "Do Not Call" list (www.IndianaConsumer.com or 888-834-9969). According to the Indiana Attorney General, Indiana's "Do Not Call" list is one of the most restrictive in the nation. And, it's free!

Knowing the law helps. By law, when you purchase anything over the phone, the telemarketing company must provide you with a signed, written contract. You will then have seven days to cancel the transaction prior to any costs being charged.

Home repair scams

Home repair is a common scam against seniors. Typically the scammer knocks on the door, claims to notice damage to the home (i.e. the roof) and offers to repair it. Seniors with mobility issues may not be able to see the damage mentioned and will take the scammer at his word. To safeguard against this type of scam, get a second opinion from another company before signing an agreement. Any home improvements should have a written, signed contract and never require more than one-third of the total cost up-front.



Reverse mortgage fraud

These vehicles were designed to allow older homeowners to convert the equity in their residences into supplemental income. Reverse mortgages can be very appealing to "house rich, cash poor" seniors.

According to the FBI, the two most common scams are equity theft and foreclosure rescue. In equity theft, the scammer purchases a home in foreclosure and sells it to a senior. The new senior homeowner is then instructed to take out a reverse mortgage. Once the transaction is complete, the scammer steals the proceeds of the loan.

In foreclosure rescue, the scammer identifies seniors who are at risk for losing their home and encourages them to obtain a reverse mortgage to save it. When they do not qualify for a reverse mortgage, the scammer then advises them to take out a traditional mortgage. At that point the property and its equity is transferred to the scammer.

Reverse mortgages are complicated and not always the best option. For more information visit the Federal Trade Commission at www.ftc.gov and search for "reverse mortgage."

Stay up-to-date

The best way for seniors to protect themselves is to be alert to current scams and forewarned about how to mitigate their risk. Visit www.in.gov/attorneygeneral and click on "Senior" to sign up for email and text notifications about the latest scams.

Contact Meredith if you have questions or would like additional information regarding this topic.

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From Elaine

It's Shaping Up to Be a Colorful Year!



I hope you're enjoying this beautiful spring. It's so nice to see the grass turn green again and the landscape dotted with multicolored flowers and blossoming trees.

Speaking of colorful, this presidential race is definitely unlike any other I've witnessed.

And for once, the Indiana Primary, which recently took place, played a vital role. It appears everyone's interested in this race no matter what their political affiliation. That's why we asked Pamela Everhart, Senior Vice President and Head of Regulatory Affairs for Fidelity Investments, to discuss the candidates at our Ladies' Luncheon this April. She was candid, impartial and focused her comments on the impact each of the presidential candidates would potentially have on the policies important to women. The discussion was very thought-provoking, to say the least!

And if Donald Trump and Hillary Clinton are declared the two candidates, it will be an historic election no matter who wins: Trump would become the first person elected to the presidency who hasn't held public office and Hillary Clinton would be our first female president! We'll all have to stay tuned to see how it turns out!

Also in April, we saw many of you during our annual Shred Day. Purging old records and getting rid of information accumulated, but no longer needed, for tax preparation can be a very uplifting feeling. We're pleased to provide our clients with a secure means for disposing of these items.

We're also pleased to provide our clients with our quarterly newsletter. Here's what's on the agenda for this one. If you are age 50 or older or have senior parents our feature article, "Financial Fraud Against Seniors," will be of particular interest to you—although anyone can benefit from it. Meredith Carbrey discusses why seniors are most at risk, the most popular scams, and some invaluable resources. In GenNeXt, Evan Bedel highlights all the different ways you can connect with Bedel Financial, and what that high

level of connectivity means to you. In our Industry News section, Bill Wendling explains how alternative lending works and how it benefits borrowers, and explores its viability for investors. Finally, since spring marks the busiest home-selling and home-buying season, our Q & A section by Brian Rykovich focuses on traditional and non-traditional options for getting a home loan.

This May we will be celebrating a significant milestone - Bill Wendling will reach twenty years of service with the firm. We appreciate all of his hard work and dedication over the years!

So be sure to enjoy all the wonderful things the spring brings each year. And let us know if we can help you in any way.

Until next time,



Industry News

Is Alternative Lending a Viable Investment?

By: Bill Wendling, CFA
Sr. Portfolio Manager

Get approved for a loan in minutes! Have access to money in just a couple of days! These are claims commercials, both on-air and online, make these days. You might think the fine print stipulates borrowing rates are 20 percent and that your first-born must be submitted as collateral.

But these aren't payday loans or high-interest, rent-to-own loans for individuals with poor credit. This is a new type of lending called "alternative lending," and many financial companies have entered this new territory.

Technology gives them access to "big data," a catchphrase that, in this case, describes massive amounts of data that contain a vast collection of credit histories and personal information. Their technological abilities allow them to quickly crunch numbers to determine the creditworthiness of a borrower and make a decision. Since the process takes place entirely online, finance companies' overhead costs are much lower than those of traditional banks. That's good news for borrowers!

But how about lenders?

Successful lenders loan to the right people at the highest cost the market allows. Alternative lenders will likely have an advantage over traditional banking methods as more and more people opt for a quick, paper-free loan. We believe borrowers won't miss the multiple trips to meet with a loan officer or to provide another year's worth of financial statements!

For alternative lending companies, success will boil down to access to capital and the cost of that capital. They'll need additional capital to grow their loan portfolios, which opens the door to outside investments. Presently, there are two main avenues for investing in alternative lending: Investors can loan money directly to lending companies or invest in a fund that makes loans to alternative lending companies.

When loaning money directly, investors are responsible for performing due diligence to ensure the investment is appropriate. When going through a fund, investors need to do their due diligence to make sure the fund is well-managed. However, it's also the fund's responsibility to perform due diligence on the lending companies and decide where to invest.

BFC's approach

We've been conducting due diligence on alternative lending funds that invest capital with multiple lending companies. We're proceeding very cautiously with our research for two reasons. First, the industry is young and relatively new. There are no long-term track records to rely upon. Second, these investments are not liquid. You cannot invest with an alternative lending company today and decide tomorrow that you want your money back. If we determine these companies are an appropriate investment, we'll let you know soon.

Contact Bill if you have questions or would like additional information regarding this topic.

Save the Date!

Our annual Bedel Financial Forum will be held on Tuesday, September 27th. More details to come soon. We hope to see you there!

GenerationNeXt

Staying Connected with Social Media

By: *Evan Bedel, CFP®, GenNeXt Advisor & Director of Strategy and Finance*

In today's digital world, sharing important information with our clients has become easier than ever before. With one click of a button, we're able to email you our opinion on turbulent markets, tweet a picture while attending our favorite charity event, or send an article or blog post that enhances financial education. It's all about staying connected with you!

Over a year ago, we increased the number of ways we deliver our content. We now have multiple digital platforms that enable us to access and share information and respond to you with relevant financial information.

We take pride in what we share. In addition to BFC-produced articles and videos, our Social Media and Marketing team scours through all the online financial information, weeding out the junk and providing you with unbiased, pertinent advice from reputable sources. And, you have several delivery options to select from. You no longer have to wait for our quarterly newsletter to arrive in your mailbox!

• **Blog.** Every week our firm posts an article on our blog. The article's also published each Monday in INside Edge, the e-newsletter produced by Inside INdiana Business. Our blog covers a wide range of topics on financial planning and investments. Sign up on our website to receive these weekly posts.

• **Facebook and Twitter.** We utilize these social media outlets for sharing not only our own advisor-written content, but other relevant financial articles, important industry news, BFC upcoming events, community sponsorships, interesting Indy news and professional accolades. Find us on Facebook or Twitter @BedelFinancial.

• **LinkedIn.** This online platform is our main venue for sharing financial articles with other business professionals working within other industries.

• **Website.** Have you ever had trouble putting into words the tangible and intangible benefits you get from working with BFC? Now you can use a visual instead! If you haven't visited our website (bedelfinancial.com) in a while, stop by. Our home page now includes a video, [An Introduction to Wealth Management](#), that explains, in simple terms, the Bedel Financial way of doing business and the

value, clarity and peace of mind we bring to our clients. Please share!

• **My BFC Keeper.** This unique resource is exclusively for Bedel Financial clients. It's a private, secure Web portal and document vault that allows you direct access to **your** documents, **your** account information and **your** team of professionals!

• **E-newsletter.** If you'd rather receive our newsletter via email we have an electronic version of our print newsletter for online subscribers. Subscribe on our website.

So those are the many options you have for staying in contact with us. Quite impressive, don't you think? You may find that only one or two of these digital outlets are right for you. That's fine! As you settle into the digital world by finding the social media outlet that best fits your lifestyle and personality, we want to be there as a resource. And if going digital's not for you, no problem. The original print version of our newsletter will continue to arrive in your mailbox!

Contact Evan if you have questions or would like additional information regarding this topic.

Q&A

Down Payment Hysteria

By: *Brian Rykovich, CFP®
Wealth Advisor*

Two words send chills down the spine of any potential homebuyer: down payment. Coming up with the cash is the single greatest roadblock for prospective homebuyers. But a down payment is key to determining the terms of a mortgage.

A mortgage is a long-term obligation, and getting appropriate terms can make a big difference in the total cost of purchasing a home. If accumulating a down payment is overwhelming, options may exist. Just be sure to do your homework, determine your qualifications and understand the tradeoffs before signing the paperwork.

Q: Traditionally, how much do homebuyers put down on a home?

A: The standard down payment for a conventional loan is 20 percent (i.e., \$70,000 on a \$350,000 house). Lenders dictate the terms

of mortgages based on the perceived risk of the borrower. The ability to put down 20 percent provides lenders some assurance as to the borrower's financial health. In return, the lender will likely offer more favorable terms.

Q: I don't have the 20-percent down payment. Can I still buy a house?

A: In short, yes. There's a very good chance you'll still be able to buy a house. However, in addition to potentially being charged a higher interest rate, you may be required to pay for insurance that protects the lender if you default.

Mortgage insurance is paid for with a premium added to your monthly mortgage payment. Costs typically range between 0.4% and 1.5% of the original loan amount at closing. For example, a \$250,000 mortgage may include an additional \$1,000 to \$3,000 in annual costs. Private mortgage insurance is only required until the borrower's equity in the home is 20 percent or more.

Q: What loan options are available?

A: Here are a couple to consider, providing you qualify:

FHA loan. This loan is guaranteed by the Federal Housing Administration (FHA), making private mortgage insurance unnecessary. Other requirements are less stringent than those associated with conventional mortgages. The minimum down payment is just 3.5% of the home's purchase price. However, the FHA collects an up-front fee of 1.75% of the mortgage amount, plus a small on-going fee that's included in your monthly mortgage payment.

VHA loan. Guaranteed by the U.S. Department of Veteran Affairs (VA), these loans allow buyers to purchase a home with no down payment and no private mortgage insurance. Available to active-duty military personnel, U.S. military veterans, and surviving spouses, VA loans are provided through banks or other private lenders.

Contact Brian if you have questions or would like additional information regarding this topic.

- Bedel Financial is growing again! We'd like to extend a warm welcome to Cindy Garman, Executive Assistant.
- Thank you to all who participated in our 2016 BFC Shred Day. We hope to see you again next year!

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Corporate Calendar

**Bedel Financial Consulting will be closed
for business on the upcoming days:**

May 30	Memorial Day
July 4	4th of July
Sept. 5	Labor Day
Nov. 24	Thanksgiving Day
Nov. 25	Day After Thanksgiving
Dec. 26	Christmas Day

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