

## SPARQ Research Clinic: Preventing Financial Fraud

Notes from October 14, 2016 conversation

### **The problem**

100% of Americans are targeted by scams. Yet most people think of fraud as a crime only affecting the elderly and believe that they themselves are invulnerable to being duped. In fact, millions of Americans of all ages fall victim to scams each year, with costs upward of \$50 billion a year.

### **Why do people fall victim to scams?**

#### **Fear of loss.**

People are more vulnerable to the threat of loss than the prospect of gain. This is what makes IRS and tech support scams so effective—people are afraid of getting in trouble or losing their data.

#### **Emotional arousal.**

Con artists get their victims excited or upset and exploit this emotional vulnerability to swindle them out of money. The research shows that older adults are especially susceptible to emotional appeals.

#### **Trust in the scammer.**

Scammers try to build a relationship with victims to gain their trust. This is the trick behind romance scams—people are more willing to open their wallet for a “partner” who cares about them.

### **Research-based strategies for preventing fraud and re-victimization**

#### **Don't play the shame game.**

Shame is one of the top reasons that victims do not report fraud crimes. When family members or the authorities scold victims for not knowing better, victims can feel gullible, incompetent, and largely to blame. Psychologists find that shame makes people defensive and avoid seeking help—exactly the opposite of what practitioners want. Instead of shaming victims, treat them with empathy.

#### **Develop a simple refusal plan.**

Design and distribute simple, attractive checklists that describe how to spot a fraud or warning signs. Encourage people to come up with their own scripts for dealing with phone solicitations. This can help would-be victims approach such calls with suspicion and avoid making impulsive financial decisions. For instance, people can offer to call back within 48 hours, tell the caller they have to consult with a family member, or ask to put the caller on hold and then hang up. If engaging, the recipient of the call should ask, “who are you calling?” The fewer steps required, the easier it will be for people to stay on script. The goal is to get the target off the phone as quickly as possible to avoid the scammer’s “ether.”

#### **Be a fraud fighter.**

Would you rather fight fraud or be a fraud fighter? Psychology research shows that creating an identity or a possible self inspires action. In one study, people who were asked “How important is it for you to *be a voter?*” were more likely to vote than people who were asked “How important is it for you *to vote?*” Help people make the transition from fraud victim to fraud fighter by giving them an empowering identity, and in turn, protect others against scams. Reward and publicize people who are successful fraud fighters. As a vehicle for helping and supporting others, encourage storytelling about times people were scammed and how they learned to spot a scam. Encourage a growth mindset on fraud—being scammed once can be a useful learning experience, because now people know how to avoid it.

#### **Engage communities.**

People will get on board with a cause when they know peers in their social network are doing it too. Instead of targeting individuals, target whole communities to fight fraud. Leverage community resources such as the Nextdoor app to help neighbors keep each other in the know about scams, and use the AARP Fraud Watch Network list to tell subscribers what their community is doing to fight fraud.

Help people adhere to new norms of fraud fighting by distributing information about what other communities are doing. Encourage collective action by funding communities that develop innovative plans for fraud fighting networks. Develop and distribute rankings of communities that are the most fraud-free.

**Spread awareness through storytelling.**

Overcome the illusion of invulnerability through storytelling campaigns that show how common scams are and how easy it is for people to resist them. Research shows that people feel empowered when they see ordinary folks like themselves solving problems. For example, one radio program about the HIV epidemic in Tanzania used storylines with strong, relatable characters to increase contraceptive use.

**Continually develop and evaluate new fraud-fighting strategies.**

Find out which fraud-fighting strategies work by conducting evaluations. Identify appropriate ways to measure success. For example, distribute a fraud warning signs checklist to a select number of AARP Fraud Watch Network email subscribers. How many of these subscribers report being victims of fraud within the next six months, compared to subscribers who did not receive the message? Or, launch a “Be a Fraud Fighter!” campaign in one neighborhood, and compare the number of fraud complaints in this neighborhood with a similar neighborhood that did not have the campaign.

**Useful research**

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