

From the Iowa Attorney General's Office

Friday, March 30, 2007

Warning! Sweepstakes can be Hazardous to the Financial Health of Older Iowans

Publishers Clearing House and other companies that use sweepstakes to promote their mail-order products appear to be draining a significant portion of the fixed incomes of many elderly Iowans.

According to the Consumer Protection Division of the Iowa Attorney General's office, many Iowans in their 70s, 80s and 90s receive repeated sweepstakes mailings from Publishers Clearing House. The mailings aggressively hype the sweepstakes, and many recipients get the strong impression that they are very close to winning a major sweepstakes prize, and that ordering more and more magazines and merchandise could make the difference. Iowans of advanced age have sent Publishers Clearing House and other sweepstakes operations several thousand dollars in a single year, and for some it goes on year after year.

Examples from the Attorney General's files:

- A 79-year-old Burlington man received 162 sweepstakes mailings from Publishers Clearing House in a two-year period, and he responded by spending more than \$4,000 ordering products. Most of the merchandise was stacked, unopened, in his home and garage.
- In 2002, a Des Moines man discovered that his 79-year-old father had made a "multitude of purchases" from Publishers Clearing House and Reader's Digest in pursuit of a sweepstakes prize, taxing a limited income needed for medical bills. Despite efforts at that time to stop the sweepstakes mailings permanently, in 2007 the same man (now 84) was discovered to have become the target again of Publishers Clearing House mailings, which led to another bout of sweepstakes-driven over-spending, much of it for items that were never even opened.
- An 83-year-old Council Bluffs woman recently complained that over the course of nine years of solicitations from Publishers Clearing House she had been led to believe she would win. "I've never been so disappointed in my life," she said. She estimated having spent \$7,000 or \$8,000 of a modest fixed income in response to the sweepstakes mailings, much of it on products she didn't want and later tried to return.
- A 100-year-old Cedar Rapids woman believed insinuations that she was going to win the sweepstakes, and eagerly awaited a visit from the Publishers Clearing House "Prize

Patrol.” She also responded to a heavy stream of solicitation mailings by ordering more than \$6,500 worth of merchandise in 2006. She didn’t want many of the items she ordered, and sold some of them at a substantial loss.

- A 92-year-old Des Moines veteran with a meager fixed income was the target of a large volume of Publishers Clearing House sweepstakes mailings in 2005 and 2006. He became persuaded that he was close to winning, and spent about one-third of his total income on Publishers Clearing House merchandise. Many of his purchases were stacked up, unopened and unused, leaving little space to move around his one-room apartment.

According to the Consumer Protection Division, a heavy stream of sweepstakes mailings get these seniors on a product-ordering treadmill, and keep them there by always dangling another give-away on the horizon. Although one might assume that Publishers Clearing House sends out just one or two sweepstakes solicitations to a household each year, a vulnerable top-spender may receive two or three mailings every week. And each mailing stokes the excitement of winning, providing yet another opportunity for the consumer to demonstrate, by ordering more merchandise, that he or she is a “loyal supporter” deserving of the grand prize. Ironically, most past winners of a million dollar prize did not place an order.

Under the law, it is not necessary to make a purchase to enter a sweepstakes. Each Publishers Clearing House mailing includes at least one boilerplate disclosure with that message. But flat, colorless disclosures are competing with flashy promotional gimmicks, and many top-spending elderly Iowans absorb a different set of messages, such as: “You have friends at Publishers Clearing House who want you to get a big prize . . . there is a give-away soon that you are in a good position to win . . . your purchase volume is closely tracked . . . and the company is eager to reward its loyal customers.” Absorbing these messages can lead to relentless spending in pursuit of a sweepstakes win.

This is not a rare or isolated problem. Many Iowans -- the vast majority believed to be elderly -- are believed to send Publishers Clearing House more than \$1,000 apiece every year. And many older Iowans may be manipulated into sending many thousands of dollars to PCH in a relatively short period. In an extreme case in Oregon a few years ago, an elderly woman was discovered to have sent Publishers Clearing House \$27,000 in a single year.

[Please continue for tips for friends, relatives, and care-givers on how to be aware danger signs that older Iowans are vulnerable to sweepstakes solicitations – and what action to take.]

**To Friends, relatives, and care-givers --
Be aware of *danger signs* that older Iowans are
vulnerable to sweepstakes solicitations:**

- The older Iowan receiving a substantial number of sweepstakes solicitation mailings.
- The older Iowan receiving a large volume of magazine or other product purchases from a sweepstakes promoter. The items purchased may be given away as gifts or may be stored unopened or unused.
- The older Iowan having a preoccupation with winning a major prize. For example, calendars may be marked with the date of the next big give-away, or several hours a week may be devoted to responding to sweepstakes mailings.
- The older Iowan having difficulty paying bills or covering expenses. The volume of orders may be siphoning off too much of a person's fixed income, or the consumer may be ignoring a developing financial crisis because he or she is convinced that the Prize Patrol will soon be delivering a big check.

If you discover someone who is sustaining significant sweepstakes losses, please contact the Consumer Protection Division at 1-888-777-4590 or (515) 281-5926. The office is looking into this situation and would welcome information from Iowans. It also may be able to give you helpful advice or assistance. For example, some sweepstakes promoters, including Publishers Clearing House, will agree to remove individuals from their active mailing list upon request, and may make refunds under certain circumstances.

Thank you for your cooperation in this important matter.

[END of Warning.]

