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For Immediate Release

Victims of Financial Scammer Start Receiving $320,000 in Restitution

Shawn Heffernan Bilked Victims out of $1.5 Million

When Gene Newman was investing his life savings with the Heffernan Group hoping to secure his retirement, Shawn Heffernan was actually spending Gene’s money on personal items including jewelry, a Maserati, and a lavish wedding. Heffernan bilked Mr. Newman, now 83, out of $836,000 and in all, he scammed 15 victims out of $1.5 million, before being convicted and sentenced to nine years in prison in 2018. Heffernan was ordered by the court to repay to victims the entire amount he swindled from them, of which $320,000 has been secured in restitution. Today, Mr. Newman is receiving a check for $190,000 in restitution. The other victims will also begin receiving restitution in the coming days.

Heffernan, a licensed insurance agent at the time, initially sold annuity policies issued by legitimate insurance companies. He would often convince clients to surrender existing policies and purchase new annuity policies. This activity – known as “churning” or “twisting” – would result in significant commissions for Heffernan and very substantial surrender penalties for clients. Mr. Newman was subjected to over $350,000 in early surrender fees while Heffernan collected $280,000 in additional commissions.

“Obtaining justice for victims of complex fraud – especially those who are elderly – is a priority for our office,” District Attorney Summer Stephan said. “This case is an example of due process that includes victims getting their money back through restitution. When victims get back any portion of their loss, it goes a long way toward providing a measure of justice in a truly impactful way.”

Heffernan identified clients who were susceptible to fraud due to inattention or advanced age and offered them an investment opportunity with a private investment contract. Heffernan collected almost $1.5 million from more than a dozen victims, promising a six percent annual rate of return. Bank records obtained through search warrants revealed that Heffernan did not use investment funds to make profits; instead he spent the victim funds on personal expenses. If a client requested to withdraw money from their investment, Heffernan used money taken from newer investors to satisfy the earlier investors.
In Mr. Newman’s case, Heffernan's father sold Mr. Newman an annuity in 2005 for $750,000. Mr. Newman liquidated his other investments in order to purchase the annuity. Starting in 2009, Shawn Heffernan began churning Newman - selling him unnecessary replacement annuities.

In June 2015, Heffernan convinced Mr. Newman to cash out the last annuity and “invest” the $761,000 with Heffernan's company Direxion. Mr. Newman wrote a check and deposited it into Heffernan’s Comerica Bank account. The bank put a hold on it.

When a bank investigator became suspicious and questioned Heffernan, he told the bank Mr. Newman was repaying a loan. Heffernan convinced Mr. Newman to go along with the loan story otherwise Heffernan would lose his VA benefits.

Heffernan pleaded guilty to all 29 criminal counts alleged in the complaint. These included 11 counts of elder fraud, 16 counts of grand theft, one count of forgery, and one count of making a fraudulent tax return. He also admitted a white collar crime enhancement.

This case was investigated by the Regional Fraud Task Force, comprised of members from the San Diego District Attorney’s Office, the U.S. Secret Service, and the San Diego Police Department, in conjunction with Investigators at the California Department of Insurance. The case was prosecuted under the Life and Annuity Consumer Protection Program by Deputy District Attorneys Michael Zachry and Anna Winn.

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**About the San Diego County District Attorney’s Office**

The San Diego County DA’s Office prosecutes all felony crimes in the county and misdemeanor crimes committed outside the City of San Diego. The office files about 40,000 criminal cases a year and balances prosecution with numerous crime prevention programs. District Attorney Summer Stephan leads the office of more than 1,000 dedicated employees who pursue fair and equal justice, and support victims daily across San Diego County.