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When Life Happens: Financial Literacy is Necessary to Optimize Access to Aging Resources

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Decades ago there was a lack of available financial information, while today there is a glut of user-friendly websites—as evidenced by a retirement expert searching the internet for retirement planning checklists. Surprisingly, he found more than 77 million results.[1] So how do we help older individuals with the multi-layered systems that make up retirement preparedness and not blame them for having low or no financial expertise? How do we help stem the tide of senior financial abuse and the loss of the estimated minimum amount of $2.9 billion in reported cases, and how do we encourage reporting? It has been estimated that only one in 44 cases are ever reported to authorities.

The Role of Financial Programs

Financial counseling programs are needed in communities but attitudes about financial literacy range from those who find it does not work well or make any difference, to those who think the impact is positive and substantial. But like so many of the nation's complex problems, people are dealing with the real-life consequences of not being financially prepared with basic knowledge while the debate continues. Along the way, they are getting scammed or penalized or worse—they become financial victims, lose their independence and have to rely on government poverty programs.

Take one example of what seems like a simple thing to do—signing up for Medicare at age 65. It seems easy enough but it has actually inspired a reintroduced Congressional bill to help people with the process.[2] While there is a wealth of information for people already enrolled, there are more people than ever being penalized for not knowing when they should have signed up. These late enrollees are not aware that signing up for Part B is only automatic if you are collecting your Social Security benefit at age 65. The penalty is 10% a year for each year of not enrolling and it's for life.[3] If you are planning to work until the Social Security full retirement age or beyond and are not sure of the complex rules that apply, you could wind up making costly mistakes.

Protecting Seniors and Families

Today, many aging individuals also need help managing finances while their families and those holding their power of attorney need similar guidance.[4] Most people do not know what they need to know until a "shock" event occurs. This is an event defined as a momentous and surprising disruption[5] that generally requires specific knowledge and a team of resource experts.[6] Recently, a colleague (armed with a doctorate focused on assessing and validating all the retirement preparation tasks identified in the academic literature) recounted his own harrowing experience with a series of shock events involving his nonagenarian parents.[7] This expert thought he had helped his parents plan for every eventuality. He has revised his thinking after realizing one of the most important aspects of planning is knowing where to find help in an unexpected worst-case scenario.

1 John N. Migliaccio, "Planning for the Utterly Unexpected: Advice for the Retirement Advisors," *Journal of Financial Service Professionals* 71, no. 6 (November 2017): 32¬–37.

2 Beneficiary Enrollment Notification and Eligibility Act of 2017, S. 1909, H.R. 2575, 115th Cong. (2017).

3 Ibid.

4 "Managing Someone Else's Money," Consumer Financial Protection Bureau, guides, April 2015, *https://www.consumerfinance.gov/consumer-tools/managing-someone-elses-money/*. The CFPB provides fiduciary guides for four different fiduciary capacities: agents under powers of attorney, court-appointed guardians, trustees and government fiduciaries (Social Security representative payees and Veterans Affairs fiduciaries).

5 Society of Actuaries, "Shocks and Unexpected Expenses in Retirement," 2015 Retirement Survey Report: Key Findings and Issues, October 2016, *https://www.soa.org/Files/Research/Projects/research-2016-shocks-unexpected-expenses.pdf*.

6 Migliaccio, "Planning for the Utterly Unexpected."

7 Ibid.

The need for financial education for older adults has been recognized in research for decades as a way to help avoid financial abuse, but the enormity of the financial exploitation problem should make it a national priority.[8] A large concentration of the nation's wealth is held by the senior population, which attracts scammers.[9] Financial exploitation cuts across every demographic—income, ethnicity, age, health, gender and geography. The issue is so pervasive that the FBI, along with several other government agencies, maintains a dedicated website on the topic.

The exploitation issue is multiplied by the shift to 401(k) account plans that, for many, produce a single lump sum of money that individuals have to manage on their own. The availability of reverse mortgages may also make seniors more vulnerable and appealing to bad actors. Seniors report that financial exploitation is the most frequent type of abuse they experience. Older women are increasingly victimized, leaving them with little or no assets and no protection against poverty.

Identifying and Reporting

While financial exploitation is often thought of in the context of wealthy elders, the majority of victims are moderate and lower-income wage earners. This is the population that has the most to gain from financial education initiatives, yet this demographic has seldom been the subject of studies examining the effect of elder financial abuse. This is particularly true among the minority populations of Latinos and African-Americans. In 2010, the National Academy of Sciences and the National Institute on Aging's state-of-the-art science research meeting on elder abuse and financial fraud identified cultural diversity as a major gap for the field of elder abuse.[10] Evidence shows that the prevalence of financial exploitation is almost three times higher among African-American older adults than white older adults.[11] Among Latinos, elder abuse may be as high as 40% among those over age 65, yet these communities do not report the abuse—only 1.5% of those cases were reported to Adult Protective Services (APS) or other aging service networks.[12] For many families, particularly in multicultural communities, the financial pressures of daily life create an environment ripe for abuse of an older adult, often by a family member. Research has suggested that African-Americans may be more vulnerable to third-party scams, affinity scams or other financially related fraud than non-African-Americans.[13] This may be due, in part, to the availability of low-wage jobs with fewer options for advancement. The promise of easy fixes or quick riches, even from a family member, may prove too tempting to resist. Familial norms of sharing resources can lead a family member or caregiver to use monies without permission or benefit to the older adult. Close-knit family structures also act as barriers to reporting the abuse. Across all demographics, a reported 55% of financial abuse is committed by family members and friends. A general lack of cultural competency has made it difficult for aging and victim services to engage these communities, while the need to involve aging adults and families in multicultural communities is paramount.

Innovative financial literacy programs are needed to directly address the gap in the field of victims' rights and affect reporting outcomes by delivering straightforward, actionable, financial information and solutions. This includes multicultural programs tailored for caregivers, elders and families. But programs that combine basic financial literacy training with financial exploitation and elder abuse

8 Lois A. Vitt, Carol Anderson, Jamie Kent, Deanna M. Lyter, Jurg K. Siegenthaler and Jeremy Ward, "Personal Finance and the Rush to Competence: Financial Literacy Education in the U.S.," Institute for Socio-Financial Studies' national field study, 2000, *http://www.isfs.org/documents-pdfs/rep-finliteracy.pdf.*

9 Ibid.

10 Scott R. Beach, Richard Schulz, Nicholas G. Castle and Jules Rosen, "Financial Exploitation and Psychological Mistreatment Among Older Adults: Differences Between African Americans and Non-African American in a Population-Based Survey," *Gerontologist* 50, no. 6 (2010): 744–57.

11 XinQi Dong, "Building the Foundation to Prevent Elder Abuse: Cultural Diversity and the Role of Community," Elder Justice Coordinating Council white paper, Oct. 11, 2012, *https://www.acl.gov/sites/default/files/programs/2016-09/Dong_White_Paper.pdf*.

12 Marguerite DeLiema, Zachary Gassoumis, Diana Homeier and Kathleen Wilber, "Determining Prevalence and Correlates of Elder Abuse Using *Promotores*, Low-Income Immigrant Latinos Report High Rates of Abuse and Neglect," *Journal of the American Geriatrics Society* 60, no. 7 (2012): 1333–39.

13 Beach et al., "Financial Exploitation."

training for multicultural communities and caregivers are scarce. Considerable research confirms that financial education yields positive results and that "estimated effects are sizeable for the least wealthy."[14]

The Approach

Providing access to culturally competent resources to address the trauma of elder financial abuse is sorely needed to empower caregivers to use victim counseling and other critical services that address the devastation and loss. These programs work but they need delivery on a much larger national scale. Volunteers are needed in every community.

Since its inception in 1996, the Women's Institute for a Secure Retirement (WISER) has been providing basic retirement education for multicultural communities and family caregivers and has developed model programs and materials for these populations. WISER programs include the "Savvy Saving Seniors: Steps to Avoiding Scams" curriculum with the National Council on Aging; "Financial Steps for Caregivers," a guide and a curriculum for family caregivers; a series of financial fraud briefs with the National Adult Protective Services Association; and a toolkit and a series of financial fraud briefs for financial advisers through the Securities Industry and Financial Markets Association (SIFMA).

University of Southern California research[15] has examined scams and fraud in old age in its Finance, Cognition and Health in Elders Study (FINCHES). According to Dr. S. Duke Han, a clinical neuropsychologist associated with the study, while there are likely many reasons why an older person may fall for scams or fraud (including depression and anxiety), impaired or cognitive abilities may be an issue, as well as social isolation or loneliness and a reduced ability to assess trustworthiness. He reports that he frequently gets asked what can be done to help protect against scams and fraud in old age. His answer: "It seems that increasing financial literacy may help. In fact, our work has found that financial literacy is associated with stronger connectivity of important brain regions over and above the effects of age, education, gender and cognitive ability. This is encouraging news since we can always become more financially literate at any age."[16]

The Financial Industry

Another important step in helping to contain this problem is the involvement of the financial services industry and its work developing tools and training materials to combat senior financial exploitation. Among its many activities to train financial advisers, SIFMA has a formalized Senior Investors Working Group representing more than 50 diverse member firms to identify problems and develop workable solutions. Financial advisers are increasingly finding themselves confronting potential senior financial fraud or cognitive issues with their clients. They are often on the frontlines identifying suspect behavior or noticing signs of cognitive issues; yet, because of the rules and laws governing the relationship between adviser and client, if the client exhibits unusual behavior such as transferring funds in response to an obvious phishing scam or to a new acquaintance, the firm must execute the transaction or be sanctioned by state and federal regulators. While catching the perpetrator is beyond the professional scope of work of the financial adviser, there needs to be rules and protocols in place that allow advisers to take preventive action when warning signs appear.

The industry has also shown a willingness to join with academic experts, neuropsychologists, gerontologists and key stakeholders such as Adult Protective Services to better understand the risks to seniors and how to strengthen the role that firms and financial advisers should play. They are also working with state and federal policymakers, regulators and advocates to enact laws that allow advisers to report suspicious activities to the appropriate state agencies investigating financial exploitation, put a temporary hold on exploitative transactions before they occur, and

14 AnnaMaria Lusardi, "Saving and the Effectiveness of Financial Education," in *Pensions Design and Structure: New Lessons from Behavioral Finance*, ed. Olivia S. Mitchell and Stephen P. Utkus (Oxford: Oxford University Press, 2004).

15 S. Duke Han, "Financial Fraud in Later Life: A Growing Epidemic," blog, Center for Digital Aging, March 7, 2017, *http://gero.usc.edu/cda_blog/financialfraud.html*.

16 Ibid.

allow financial firms to share client financial records with the agencies investigating financial exploitation without violating privacy laws. In addition, they have worked with the Financial Industry Regulatory Authority (FINRA) on the need for reporting and allowing firms to contact other financial institutions about an account transfer when fraud or exploitation is suspected.

The North American Securities Administrators Association (NASAA) has designed and adopted a model act to protect vulnerable adults from financial exploitation by allowing broker dealers or advisers to impose an initial delay of up to 15 days of disbursements from an account of an eligible adult if there is suspicion of fraud. They have also mandated reporting to state regulators and to Adult Protective Services. FINRA has issued a similar rule[17] for broker dealers and the Securities and Exchange Commission Investor Advocate notes "financial firms should have the ability to pause disbursement of funds, contrary to the instructions of a customer. . . . If [the suspicion] is strong enough . . . it should trigger an obligation to report the suspicious activity to adult protective services."[18]

Adult Protective Services is charged with the enormous task of responding to elder abuse and financial exploitation and protecting thousands of senior victims across the country. Unfortunately, the cases continue to increase as the older population multiplies. Ten thousand Americans turn 65 every day. Also, APS is vastly underfunded and relies on state block grants for many of its services. Congress needs to address the critical problem of senior financial abuse, and invest in stopping and preventing it. In this way, incidence rates can be reduced as they have been for other victims of family violence. This will not only protect the lives and assets of the elderly, but reducing financial exploitation over the long term will also reduce the demands on Medicare, Medicaid and other publicly funded programs. Almost one in 10 financial abuse victims turn to Medicaid as a direct result of their savings being stolen.[19]

Solution

Protecting seniors from financial shocks including financial fraud and abuse is an enormous challenge that requires a large, coordinated, national response. The good news is that there are organizations, companies and coalitions already working to combat this issue, and there are numerous financial education tools and resources available to help educate seniors and train leaders on these topics. What is needed now is a massive national campaign and model financial literacy program, delivered by a broad coalition of the major players. This program would address the multicultural community and the nation's caregivers, and engage and train community leaders. The Frameworks Institute has provided a communications strategy to advance the national conversation about aging, which will help address the issue of elder abuse.[20] There needs to be a broad coalition that will foster long-term relations among financial services professionals, nonprofits and others who can spot the red flags of elder abuse and help victims and their families report it. The leaders can provide access to aging services to address the traumas associated with exploitation and encourage intergenerational support for elder abuse victims. Meeting the victims in the communities where they live with the support of a coalition of trusted community leaders is worth the effort to protect the senior population.

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17 Financial Industry Regulatory Authority, "Financial Explanation of Seniors," FINRA Regulatory Notice 17-11 (March 2017), *http://www.finra.org/sites/default/files/Regulatory-Notice-17-11.pdf*.

18 U.S. Securities and Exchange Commission, comment letter from the investor advocate re: File No. SR-FINRA-2016-039: Notice of Filing of a Proposed Rule Change to Amend Rule 4512 (Customer Account Information) and Adopt FINRA Rule 2165 (Financial Exploitation of Specified Adults), Dec. 28, 2016, *https://www.sec.gov/comments/sr-finra-2016-039/finra2016039-1447952-130092.pdf*.

19 Matt Bush, "The Uphill Battle to End Elderly Abuse," WAMU, May 5, 2013, *https://wamu.org/story/13/05/05/the_uphill_battle_to_end_elderly_abuse/*.

20 Marissa Fond and Daniel Busso, "Strengthening the Support: How to Talk about Elder Abuse," FrameWorks Institute Message Memo (January 2016), *http://frameworksinstitute.org/assets/files/aging_elder_abuse/Elder_Abuse_MessageMemo_Jan2017.pdf*.