



# Protecting Aging Clients

from Financial Abuse & Fraud

What you as a financial professional  
can do to help





# AIG: committed to protecting America's seniors

As part of AIG's Plan for 100 initiative—designed to educate and empower individuals, employers and financial professionals to help Americans prepare for lives that could exceed 100 years, AIG Life & Retirement recently conducted the AIG Plan for 100 Elder Financial Abuse Survey. The survey provided a unique opportunity to gain greater insights into this critically important issue and better understand seniors' level of awareness and preparedness. For seniors and their family members, greater longevity may mean having to defend against threats such as senior financial abuse.

## **AIG's Elder and Vulnerable Client Care (EVCC) Unit**

In 2016, AIG introduced its Elder and Vulnerable Client Care (EVCC) Unit—one of the first of its kind within the financial services industry. Members of the EVCC unit respond to suspected cases of financial exploitation of elder and other vulnerable AIG clients. Detecting potential problems and protecting AIG's senior clients is a collaborative effort that often involves family members, financial professionals, law enforcement and others.

The EVCC is a valuable resource that's available to AIG's partners and financial professionals. If you suspect a case of senior financial exploitation and would like to discuss it with a trained AIG EVCC professional after contacting your home office, please call **1-844-422-1945** or send an email to **[elder\\_vulnerable\\_clientissues@aig.com](mailto:elder_vulnerable_clientissues@aig.com)**.

# Senior financial abuse: the threat is real

The National Council on Aging reports that one in 10 Americans age 60 or older has already experienced some form of elder abuse—whether physical, emotional or financial. What’s more, it’s likely this is a significant underestimation of the actual number of cases of abuse when you consider that just one in 14 instances is reported to authorities.

According to Bloomberg, senior financial exploitation—be it in the form of telephone pitchers, online scammers or even family members—may rob America’s seniors of as much as \$37 billion each year.<sup>1</sup> And it appears many Americans recognize this threat to financial security in retirement. New research from AIG Life & Retirement revealed that:



Further, nearly two-thirds (65%) of those surveyed believe the issue could affect a close relative or friend, which may suggest people think it is less likely to happen to them and more likely to happen to someone else.<sup>2</sup>

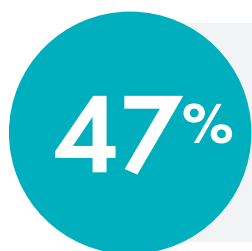
<sup>1</sup> Nick Leiber, “How Criminals Steal \$37 Billion a Year from America’s Elderly”, May 3, 2018.

<sup>2</sup> AIG Plan for 100 Elder Financial Abuse Survey was conducted by Morning Consult from June 20-23, 2019, among a national sample of 2,200 adults. The interviews were conducted online, and the data were weighted to approximate a target sample of adults based on age, race/ethnicity, gender, educational attainment and region. Results from the survey have a margin of error of plus or minus 2 percentage points.



# Isolation and cognitive decline add to the problem

Nearly one in two seniors age 65 or older manages his or her finances alone, which can leave them vulnerable to financial abuse and manipulation. Only 1 in 4 seniors invite a family member or someone they trust into conversations regarding their money.<sup>3</sup>



of seniors surveyed **handle their financial decisions and money management entirely alone**<sup>3</sup>

It's also important to understand that cognitive decline puts seniors at further risk. Academic research reveals a jarring juxtaposition: As we age, our *confidence* in our financial abilities largely stays constant, while our *financial literacy* drops off dramatically—showing that even if we feel perfectly capable of going it alone, we may be slowly losing the faculty to continue to make prudent financial decisions solo.<sup>4</sup>

The SEC reports that up to 20% of people over the age of 65 have some form of cognitive impairment, and nearly half of people older than 85 have Alzheimer's disease or another kind of dementia.<sup>5</sup>



<sup>3</sup> AIG Plan for 100 Elder Financial Abuse Survey.

<sup>4</sup> Finke, Howe and Huston, "Old Age and the Decline in Financial Literacy." *Management Science*, 2016.

<sup>5</sup> Stephen Deane, "Elder Financial Exploitation", U.S. Securities and Exchange Commission, June 2018.

# Many seniors are not aware of common scams



One component of senior financial abuse is financial scams, which are typically conducted by strangers catching unsuspecting seniors on the telephone or through the internet to manipulate them into sending money. When asked about their knowledge of some of the most common scams, a majority of seniors did not have these threats on their radar<sup>3</sup>:

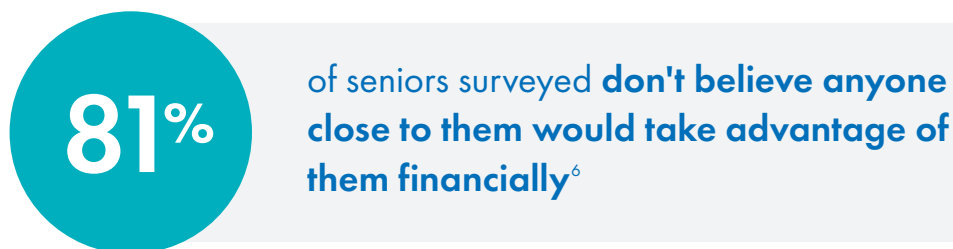
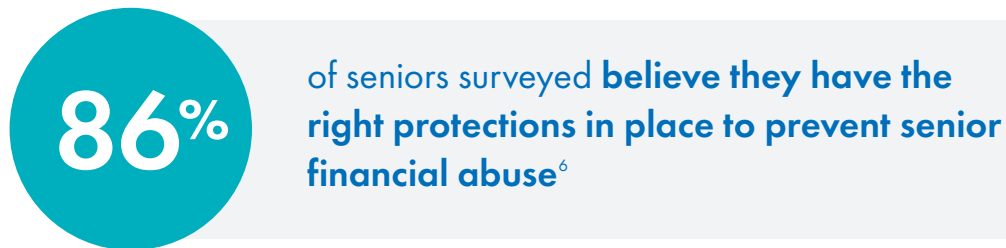
- ! **60% are not aware of pigeon drop scams:** Victim is told that a considerable sum of money was found and will be shared with them if an upfront payment is received
- ! **57% are not aware of romance scams:** Online romance where the victim is asked for money
- ! **57% are not aware of invoice scams:** Victim is contacted by someone claiming to work on behalf of a company such as a utility to collect fees
- ! **52% are not aware of pre-paid credit card/debit card scams:** Victim is asked to make payments to a utility or other company to address a debt; often the victim is asked to make multiple payments
- ! **10% are not aware of any of the common financial scams**

While this may seem surprising, it's important to remember that many seniors are not tech-savvy, which can leave them more vulnerable.

## Seniors may be overconfident



The vast majority of seniors (92%) are taking important steps to safeguard their personal information and wealth—such as not responding to phone calls, texts or emails asking for personal information.<sup>6</sup> However, these strategies truly only protect them against strangers, leaving them still vulnerable to financial abuse from someone who knows them, like a family member, friend or caretaker.



And while in most cases family members do look out for their loved ones' best interests, the sad reality is that seniors are more likely to be taken advantage of by family than by strangers, according to the National Center on Elder Abuse.<sup>7</sup>

<sup>6</sup> AIG Plan for 100 Elder Financial Abuse Survey.

<sup>7</sup> National Council on Elder Abuse, "Statistics and Data," [ncea.acl.gov/What-We-Do/Research/Statistics-and-Data.aspx](https://ncea.acl.gov/What-We-Do/Research/Statistics-and-Data.aspx).

# Seniors expect help from their advisor

Financial professionals are in a unique and important position when it comes to helping protect seniors from financial abuse, manipulation and fraud. And Americans are clearly counting on that help.

84%

of Americans surveyed **expect their financial advisor or a financial account representative to inform them** when they suspect financial abuse<sup>6</sup>

81%

of seniors surveyed **say if they were to fall victim to senior financial abuse, they would feel comfortable talking to an advisor**<sup>6</sup>

**As your Boomer clients advance in age,** it becomes increasingly important to have conversations with them about senior financial protection and the steps they can take now to help protect their wealth.



# How you can help protect your clients

Here are several ways you can help protect your aging clients from senior financial abuse:

## 1. Educate

Make sure your clients are aware of common financial scams. In addition to those mentioned earlier on page 3, other common types of scams include:

- ! **IRS Impersonation Scams:** Calls from the IRS claiming that you will be arrested if you don't pay up on missing taxes
- ! **Robocalls and Unsolicited Phone Calls:** Nearly 2.4 billion robocalls are made every month and today phone calls can be digitized and routed from anywhere in the world
- ! **Lottery/Sweepstakes Scams:** Seniors are made to believe that they have won a lottery and need to pay a fee to collect their winnings
- ! **Can You Hear Me Scams:** Fraudsters ask "Can you hear me?" to get the victim to say "Yes", then they use their recording as a voice signature and authorize unwanted charges
- ! **Grandparent Scams:** Impersonators pretend to be the grandchild or an authority holding the grandchild. They claim the grandchild is in trouble or in need of money, tricking grandparents into wiring them money



## 2. Help put protections in place

There are a number of measures you can help clients put in place to guard against senior financial abuse.

### Setting up a Power of Attorney (PoA)

Encourage clients to work with an attorney to set up a durable or springing power of attorney while the family member is still mentally sharp. Clients may choose two individuals (or more) as primary Power of Attorney and can require they act together. This may provide additional protection if one Power of Attorney tries to exploit the client (grantor).



- Americans who **work with a financial advisor are more than 2X as likely to have a durable power of attorney in place** (36% vs. 16%)<sup>8</sup>

### Naming of a Trusted Contact

Make sure your clients have named a trusted contact. This is an individual you or your firm can contact if there is a concern that the client is being exploited or may be suffering from cognitive impairment. It may be a good idea to name a trusted contact that is different from the person(s) named as Power of Attorney to provide a check and balance in case the attorney fails to act in the client's (grantor's) best interest.

- **64% of Americans surveyed who have a financial advisor reported having a trusted contact in place**<sup>8</sup>

<sup>8</sup> AIG Plan for 100 Elder Financial Abuse Survey.

### 3. Help facilitate important planning conversations

Helping clients facilitate family conversations with their adult children about cognitive decline—and putting protections in place now—can be key to avoiding challenges down the road.

As they age, parents often end up relying on one child in particular; this is the alpha child. Here's one way to get an introduction to the alpha child and help start these important planning conversations:

**You:** *"Ted, do you rely on any of your children for help in making financial decisions at this point? Do you suppose that in the future you will depend on one of your kids to help with this?"*

**Client:** *"Yes, I often talk to my son Steve about financial matters. I imagine that will continue in the future."*

**You:** *"Well, I would like to meet Steve now, before we are meeting under stressful circumstances. And, I would like Steve to join us for a meeting or two to be able to get a better picture of what we have put together for your retirement and the relationship we have built."*

**This may be an opportune time to talk about naming a trusted contact** (if the client hasn't already done so) or discuss setting up a Power of Attorney.

Consider using language such as, *"Have you heard about...?"* or *"Have you thought of...?"* If the client doesn't want to discuss the matter, don't force it. Set time aside at a later date to broach the subject again.



## 4. Be an additional line of defense

As a client's financial professional, you are in an important position to serve as an additional line of defense—if not a first line of defense—against senior financial abuse, manipulation and fraud.

During your regular interactions with the client, you have the unique opportunity to recognize:

- ! **Irregular account activity** or withdrawal activity
- ! **New or unfamiliar players** in the client's life
- ! **Changes in the client's cognition** that could be an early sign of dementia, such as memory loss, challenges in planning or solving problems, confusion with time or place, or poor judgment

As you may be aware, two new FINRA rules went into effect last year to help financial professionals better protect their clients.<sup>9</sup> One rule requires that financial professionals make reasonable efforts to obtain the name and contact information for a trusted contact for a customer's account. The other rule gives the financial professional permission to place a temporary hold on disbursements of funds or securities from a client's account if there is a suspicion of financial exploitation.

For additional information, tools and resources to help protect clients from senior financial abuse, please contact us today at 888-502-2900.

**Working together, we can make a difference.**

<sup>9</sup>FINRA.org, FINRA Rule 4512 and Rule 2165.

## Working together, we can help protect America's seniors from financial abuse so they can live a long, financially secure life.

While medical innovation is improving longevity and the quality of later life, the reality is that for most people the twilight years are marked by cognitive decline of some variety—leaving seniors vulnerable to financial abuse and fraud.

At AIG, we believe that by raising awareness of this critically important issue and helping clients put important protections into place, we can help America's seniors more effectively safeguard their hard-earned retirement savings and live a long, financially secure life.

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