Protecting Elders from Financial Abuse

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Helping older Americans make sound money decisions and protecting them from financial predators needs to become a top-tier objective of seniors' groups and government agencies charged with looking out for the welfare of the nation's growing elderly population. This is easier said than done, as was emphasized in a report last week from the Government Accountability Office (GAO) on elder financial abuse.

"According to experts, the illegal or improper use of older adults' funds, property, or assets is reaching epidemic proportions in this country," GAO official Kay Brown said in prepared testimony to the Senate Special Committee on Aging. "The money older adults lose in these cases is rarely recovered and this loss can undermine both the health of older adults and their ability to support and care for themselves." Tragically, much of the abuse is committed by relatives and caregivers—the very people older Americans trust to help them in their later years.

In an extensive study of how four states try to protect older citizens from financial abuse, the GAO regularly found that good intentions were outweighed by meager resources and poor coordination of efforts among a maze of state, local, and federal agencies. "Officials told us that older adults need more information about what constitutes elder financial exploitation and how to avoid it, but social services and law enforcement agencies do not always have the resources to promote public awareness in this area," Brown said.

The ability to make sound financial decisions often declines with age. To help guard against making poor decisions as well as being exploited, it's important that seniors share financial transactions, decisions, and plans with their spouses, families, and financial advisers. To minimize the risk of being exploited, building a team of financial helpers makes a lot of sense. However, this is also easier said than done. Emotionally, it can be difficult to share or ask for outside help. Independence is a high priority among aging seniors. And independence may be associated with continuing to make key financial decisions without consulting others.

Yet many studies have found that declining analytical and decision skills are associated with even normal aging patterns. As traditional pensions have disappeared, retirees have had to assume primary responsibility for the performance of their retirement investments. Many seniors may not be able to navigate their increasingly complex financial world.

But with the swelling ranks of people in their 70s and 80s, creating an "age aware" process of making and recording financial decisions is increasingly needed. It will save you money and, possibly, the heartbreak of being exploited by someone you thought was looking out for you. Here are ways to protect yourself and avoid unpleasant surprises. Make sure they're right for you. Discuss them with your family. And consider building a financial support team. You must be able to trust people who have access to your financial records and even accounts.

1. Online banking records. Make sure your spouse or other appointed family member has access to your banking transactions. If you're not at the point of providing real-time access to account transactions, consider emailing them a digital copy of your monthly banking statement showing all deposits and payments.

2. Key financial transactions. Make a list of companies that must be paid—mortgage company, utilities, insurance, and the like. Know the approximate amount of periodic payments and check them off against monthly banking statements.

3. Credit cards. Consider providing a trusted friend or family member with third-party access to credit-card account records. If you're comfortable, you could agree upon maximum outstanding credit limits on your accounts. These limits would avoid damaging charge-card "surprises" while not ceding control of accounts to others.

4. Investment accounts. If you don't have a financial adviser, make sure your spouse or a family member can have access to your investment accounts. How much money is supposed to be pulled out of these accounts, either monthly or on some other periodic basis? What is your desired mix of investments? Do your accounts still reflect these priorities or do they need to be rebalanced?

5. Taxes. Make sure your tax returns are seen by the appropriate family member on a timely basis. If someone else does your taxes, the returns should be shared and discussed with your spouse or other relative.

6. Master list. Build, share, and regularly update a master list of financial relationships and related online accounts and passwords. You should do this anyway, lest something happen to you. I update mine in advance of extended travel, but use whatever reminder works for you.

7. Key documents. Assemble your will, ownership documents for big assets (home, car, insurance policies, etc.), and any other important documents. Make sure they can be accessed by authorized family members. Consider making digital copies of these documents and storing a set on the Internet. Google Docs can be used for such storage; it's free and reliable.

8. Financial checklist. Build a timeline of financial activities that need to be carried out during the course of the year. If taxes are due on April 15, don't wait until then to ask about them. Put one or two early reminders into the checklist.

Should your decision-making abilities become severely affected over time, you will need to consider more aggressive steps to share or even turn over decisions to others.