Protect Yourself from Financial Scams and Prevent Future Vulnerability

By Kathryn Garrison and Gidget Furness

Traditionally, elderly people are targeted for financial scams, but unexpected major life events and other conditions can render any adult susceptible. Vulnerability is often the result of the death of a loved one, an accident, early onset dementia, a chronic illness, and many other difficult circumstances.

Vulnerable Adults

Washington state law defines a vulnerable adult as anyone 60 years old or over who is unable to care for himself or herself, or an adult with a developmental disability who requires care from others, either in-home or at a facility. The important factor is that individuals could be taken advantage of because they are unable to defend their own interests.

The National Council on Aging reports that exploitation of older Americans results in losses of close to $2.9 billion each year. That number is probably low as many cases go unreported. In addition, one in nine people age 60 and older has reported abuse, neglect, or exploitation within the last year, according to the National Adult Protective Services Association.

Exploitation can take many forms and often starts with minimal activity. A loved one may notice small withdrawals or transactions that seem out of the ordinary or checks missing from checkbooks. Or sometimes an individual is persuaded to buy a certain investment and afterwards feels confused. These events aren’t always headline news, but small, subtle exploitation can be incredibly damaging to the livelihood of loved ones - and can escalate.

Regulatory Attention

The growing need to protect vulnerable adults is a great concern across the nation, particularly for regulators. For example, the Financial Industry Regulatory Authority (FINRA) - the regulatory agency for broker-dealers - now requires its members to make reasonable efforts to obtain the name and contact information of a trusted contact person. The selected person isn’t necessarily someone with access to accounts, but rather someone advisors can contact if they suspect a client is being taken advantage of or victimized.

It’s important to talk to your advisors about who you want contacted if they ever suspect you’re being abused.

Financial firms can also refuse transactions when there's a reasonable belief that financial exploitation is occurring. In those situations, the financial institution needs to notify all parties authorized on the account and report the incident to adult protective services.

Resources

It's important that advisors act in a fiduciary capacity – meaning they must put their client's needs first. Terms like "accredited," "chartered," or "registered" often accompany an advisor's credentials but don't provide actual information on the standard of care they're required to provide. Ask advisors if they must provide advice under a "fiduciary" standard of care.

There are also resources available to check an advisor's record. Steps you can take include:

- Researching whether brokers have had complaints brought against them on FINRA's website, finra.org/brokercheck.
- Confirming a firm's status as an Investment Adviser Firm and finding information on individual investment adviser representatives at the SEC website, adviserinfo.sec.gov.
- Verifying an individual's certified financial planner (CFP) status and background on the CFP Board website, cfpnet.verify.

Self-Protection

While many financial firms are working to address scams, individuals can take steps to protect themselves.

If you suspect someone is exploiting you or a loved one, contact your state's adult protective services (APS). Their team will ask for the person's name, address, contact information, and details of your concern. From there, APS will investigate through a home visit and interviews and offer services as needed. They will also work with law enforcement if necessary.

Should you be mistaken about your suspicion, you cannot be held liable for any damages resulting from reporting as long as you reported in good faith. Additionally, a vulnerable adult will retain his or her right and ability to refuse any or all interventions or assistance from APS at any time. Even if you simply have a bad feeling about a situation, but can't verify the details, professionals at APS are trained to handle these situations.

Prevention

Ideally, planning in advance can help protect you and your loved ones so that these calls never need to be made. Have open and candid conversations early with your advisors and the people you trust while you're healthy. It's comforting to think you'll always be highly functioning, but an accident, illness, or traumatic event could leave even the most competent person vulnerable without warning.

Partner with someone you believe has your best interests at heart. Have a serious conversation with a trusted friend or family member about being listed on your trusted contact form. They won't have access to your accounts, but they will be contacted if your advisor is worried about you and can help determine whether you're being taken advantage of.

You can also set up power of attorney authorization or establish trusts or joint accounts to help protect your assets and see that they're used for the purposes you intend. It's never too early to create legal documents to protect you in the event of incapacity, such as directives that help provide clarity to others about the type of care you would want if you are unable to decide for yourself.

Additional Tips

Once you've found advisors you trust, work with them to establish a plan.

Generally speaking, don't buy something if you don't understand how it works or how it fits into your financial plan. If an opportunity sounds too good to be true, it's likely not a safe investment - particularly for those on fixed incomes. Higher returns may come with higher risk, potentially higher fees, and less liquidity so it may be harder to get your money when you need it.

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