

The Biggest Risk to a Senior's Finances: Family

By Marlene Y. Satter, AdvisorOne | August 16, 2012

Pity the older people. They just can't catch a break. Preyed upon by relatives, caregivers and con men, they are also, experts say, ill-equipped to choose someone to advise them on their finances.

According to a new survey of 756 experts conducted by the Investor Protection Trust (IPT) and Investor Protection Institute (IPI) in response to questions posed by the Consumer Financial Protection Bureau (CFPB), elders may be wiser in many ways, but not when it comes to money.

The results of an online poll of experts including state securities regulators, financial planners, health care professionals, social workers, adult protective services, law enforcement officials, elder law attorneys, academics and others indicate that 65% of respondents deal with elderly victims of investment fraud or financial exploitation. Three-quarters of those respondents said that financial swindles were a "very serious" problem, and 78% said older Americans were "very vulnerable" to such tactics.

Respondents cited the top three financial scams as "theft or diversion of funds or property by family members," 79%; "theft or diversion of funds or property by caregivers," 49%; and "financial scams perpetrated by strangers," 47%.

So how well prepared are seniors to find someone to advise them on their finances? Not too well, say the experts polled in the survey. More than half of them, 53%, said that "the available resources for seniors when selecting a financial advisor with appropriate knowledge to address their specific financial needs" were either not very effective or not effective at all. Less than a third—30%—said that resources were somewhat effective or very effective.

Some other disturbing findings of the survey were that, according to 51% of the experts, "Veterans/military retirees face basically the same [fraud and deception] risks as other older Americans." Fifty-eight percent said that seniors were "not very able" or "not able at all" to determine "the legitimacy, value and authenticity of credentials held by their financial advisors and planners."

And about those credentials? Many experts don't think too highly of them, either, according to their replies. Fifty-nine percent believe that existing accountability controls are not effective "when it comes to deterring the misuse of 'senior advisor credentials.'" By a margin of 36% to 26%, they said that "current efforts for maintaining the legitimacy, value and authenticity of credentials held by financial advisors and planners" are "not very effective" or "not effective at all."

What can help make seniors safer from scammers? Don Blandin, president and CEO of Investor Protection Trust, said in a statement, "Putting a major dent in the problem will require new and innovative collaborative efforts by many different experts and organizations, both public and private."