Protect Your Future Self From Financial Abuse

From consolidating brokerage accounts to designating a trusted contact, planning is key

Financial firms and regulators are taking steps to combat financial abuse of older investors.

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By
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As thousands of baby boomers reach retirement age every day, securities firms and regulators are looking for ways to protect the growing population of older investors from financial exploitation.

People approaching retirement age should also act to cut down on the chances of becoming victims of financial abuse—by criminals, employees or even family members—later in life.

“Planning in advance is important, and it only gets tougher as you age,” says Ron Long, head of regulatory affairs and elder client initiatives for Wells Fargo Advisors. “Even without dementia, as we age, our cognitive thinking isn’t what it used to be.”

To start, financial advisers and other experts suggest creating an inventory of assets—including retirement, brokerage and bank accounts, along with other investments.

“Whether it’s on your own or with a financial professional, you need to make sure you are aware of all the different financial accounts you have,” says Gerri Walsh, senior vice president of investor education at the Financial Industry Regulatory Authority, or Finra, the brokerage industry's self-regulator.

This way, she says, an investor knows what he or she needs to keep track of and can provide an easy record for a trusted individual to consult should the investor become incapacitated or compromised.

Others suggest looking for opportunities to simplify your financial affairs. For instance, consolidate brokerage accounts spread across multiple firms and consider rolling 401(k) accounts from previous employers into your current plan or an individual retirement account.

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Identifying a trusted individual who could help with your affairs is the next step.

"Whether it's a spouse, relative, trusted friend or a professional, it's important to make sure you have somebody that you trust who knows about your finances," says Ms. Walsh.

Investors who work with a financial adviser should ask if they can formally designate a trusted contact that an adviser can reach out to should the adviser suspect something is amiss, experts suggest.

"We have our clients sign an Aging Facilitation Form which permits us to speak with a family member or attorney if we feel that they are making financial decisions that are out of the normal way we have worked with them in the past," says Rosanne Roge, an adviser at Bohemia, N.Y.

Finra recently proposed a rule that would require brokerage firms to make "reasonable efforts" to get the name and contact information for a trusted contact person when opening an account. Such a trusted person could be contacted by the firm if there is a suspicion of financial exploitation.

Additionally, the North American Securities Administrators Association, a coalition of state securities regulators, recently unveiled proposed model legislation that hits on some of the same points as Finra's proposal, including a provision that would allow firms to temporarily hold off on disbursements when advisers suspect potential financial abuse.

The NASAA model legislation also would require brokers to report suspected elder financial fraud to state authorities and an adult-protective-services agency. That reporting mandate has drawn some criticism from the financial services industry.

Naming trusted individuals who can handle one's financial affairs and make medical decisions if you are unable is a key aspect of the estate-planning process. Preretirees should work with an attorney to make sure important documents such as wills, powers of attorney and health-care proxies are in good form and reflect their current wishes, says Ms. Roge.

Preretirees should also familiarize themselves with common scam tactics, says Finra's Ms. Walsh. She suggests the Finra Investor Education Foundation's Fighting Fraud 101 guide as a resource that explains what scams to watch for and how to respond.

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