Survey

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A new survey from the American Institute of CPAs (AICPA) found that falling victim to fraud is much more likely to have a substantial emotional impact (68 percent) on the elderly than a substantial financial impact (32 percent). And phone and internet scams top the list of ways financial fraud is perpetrated against the elderly. This according to the AICPAs Personal Financial Planning (PFP) Trends Survey, which includes responses from 688 CPA financial planners.

Impact of Fraud Upon the Elderly is More Emotional than Financial

The survey asked CPA financial planners what types of financial abuse or fraud they've seen perpetrated on their elderly clients, with phone or internet scams (75 percent) cited most frequently. This was followed by the inability to say 'no' to relatives (60 percent) and identity theft (49 percent). Additional common scams or abuse observed include support for non-disabled adult children (43 percent), credit card theft (30 percent) and being taken advantage of by an in-home caregiver (26 percent). "Everyone is vulnerable to financial abuse and exploitation. However, the elderly are highly susceptible because companionship is an enticing allure for them. This can be due to the disintegration of the traditional nuclear family, death of spouse or friends, and the isolation that accompanies declining health," said Susan Tillery, CPA/PFS, Chair of the AICPA's PFP Executive Committee "Financial exploitation of the elderly impacts much more than their finances. When someone they depend on for companionship abuses that trust, they can be emotionally distraught and withdraw from family and friends. One of the challenges specific to working with the elderly that CPA financial planners encounter is assessing their elderly client's desire to provide financial help for a family member, against their own continuing financial needs."

Silver Lining: Overall, Scams Down Slightly From 2015

While any fraud and abuse against the elderly is concerning, the survey found that CPAs are seeing their clients victimized by many of these scams at lower levels than they were in 2015.

Diminished Capacity Concerns Need to be Addressed

Many financial planners would agree that one of the most emotional aspects of retirement planning is the potential for diminished capacity. As Americans continue to live longer, diminished capacity issues will in all likelihood become more prevalent. In fact, the survey found that nearly half (48 percent) of all CPA financial

expenses associated with diminished capacity. By having a plan in place, the family will be able to focus on quality of life and not on managing the financial need." Despite increased awareness about the impact of aging on cognitive function, nearly 3 in 10 (28 percent) CPA financial planners say their client's plan to deal with diminished mental capacity in retirement on a reactionary basis, and 1 in 5 (20 percent) are ignoring the issue altogether. Only 17 percent are choosing to take steps proactively. While it is preferable to develop a plan before clients begin to exhibit signs of dementia, there are strategies CPA financial planners can take to protect a client's assets in retirement after these issues come to light.

Proactive Plan Components to Manage the Potential of Diminished Capacity in Retirement

The survey found a vast majority (92 percent) of CPA financial planners dealt with diminished capacity in their clients by ensuring that powers of attorney and health care proxies were in place, while two-thirds (66 percent) arranged for themselves to contact their client's other professionals and relatives. Additional measures taken include obtaining authorization to contact their client's attorney (44 percent), moving money to a trust (37 percent), and automating their client's annual required minimum distributions from their qualified retirement accounts (34 percent). Nearly a quarter (23 percent) had their clients move into a previously selected assisted care facility.

"As people are living longer and issues such as diminished capacity and elder financial abuse are becoming more prevalent, there is great demand for comprehensive financial planning," said Andrea Millar, CPA/PFS, Association of International Certified Professional Accountants Director of Financial Planning. "A CPA financial planner serves as a trusted advisor who understands their client's needs and priorities both from a financial and personal perspective by having open, and often difficult, discussions. They act as a ‘quarterback’– calling the plays and

One of the best ways to protect against fraud is to learn about some of the most popular scams. With an awareness of what’s out there, you will be better positioned to recognize a scam before it’s too late. Do your own research, talk with friends about what they’re seeing or heard and consult with your financial team. Remember, if it sounds too good to be true or remotely strange, check the Federal Trade Commission list of scam alerts.

2. Identify Your Team & Establish Responsibilities

It is important to establish a trusted team of professionals, designees and loved ones who will always have your best interests in mind. Review your decisions with each them in advance so that should they be needed to act on your behalf, everyone will know their part. Team members should know and be formally authorized to communicate with one another, and they should all have copies of any relevant legal documents. This helps provide checks and balances, and, since elder financial abuse is often committed by a relative or trusted professional, checks and balances are important.

3. Use Your CPA Financial Planner as ‘the Bad Guy’

Get in the habit of saying ‘I run everything by my CPA financial planner; I’ll get back to you’ before making financial commitments to others. That way you will not be caught off guard by scams or stories aimed to take advantage of you. And remember to never give personal or financial information to an unsolicited caller or salesperson.

4. Make Hard Decisions Now

Discuss the tough planning issues head on and proactively. Work with your CPA financial planner to determine all the difficult answers to questions that may arise later in retirement. Discuss housing options and long-term care preferences for a couple of different potential scenarios. This way, you will be prepared for all the

are enough assets but also to see if any adjustments need to be made due to changes in care or needs.

6. Set-up Protections

You can lessen the risk of elder abuse by establishing checks and balances for Power of Attorney, successor trustee, and key professionals. This way, abuse can be identified early and addressed. If you are worried about competency issues or just can’t say no to relatives, consider putting your assets in a Revocable Living Trust and assign a co-trustee. Ensure that all checks – or checks over a certain dollar amount – require two signatures. This can reduce the chances that you give to an unscrupulous scammer.

Accounting