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Protecting Your Parents From Elder Financial Abuse

We are becoming more familiar with the notion of financial abuse targeting elders – scams and other exploitation targeting the savings of people aged 60 and older – but many may think, "it won't happen to my family" or "my relative is too smart to be taken in by this."

These assumptions are only wishful thinking; this sort of fraud is on the rise, so it's important to talk to your loved ones about what to look for, and how they can protect their finances.

More common than you think, the U.S. Department of Justice's Elder Justice Initiative offers a sobering statistic: in the United States alone, multiple studies have found that, every year, 3-5% of seniors endures financial abuse by family members. This form of exploitation is, typically, one of the top two most frequently reported means of elder abuse.[1]

It can be uncomfortable to talk with family about financial issues, but this is often the best first step toward guarding against financial abuse. Find out the information you would already need to know in the event of a sudden calamity. Questions to ask include: where is the important paperwork kept - i.e. bills, deeds and wills? Who are the professionals they work with – accountants, lawyers, and those who assist with financial matters?[2]

It's also important for you to have a clear idea in what sorts of accounts and investments your parents or loved ones keep their money. You will also want to have a conversation about when and under what circumstances they would like for you to step in and handle their finances for them.[2]

Trouble takes on many forms. Not all financial trouble that elders experience is necessarily a sign of abuse, but having open and clear communication can be a great help. Look for unpaid bills piling up, creditor notices, and suspicious activity on their bank accounts.[2]

There are a number of scams out there that target the elderly, in particular, and many of them come via telephone calls. There are scammers who pose as officials from a sweepstakes, lottery, or some other contest claiming that your parent or loved one is in line to receive a prize. Others will pretend to be from the Internal Revenue Service and threaten legal action over some long-forgotten overdue balance. The

Characteristics of the Millionaires Next Door

The habits and values of wealthy Americans

Just how many millionaires does America have? By the latest estimation of Spectrem Group, a research firm studying affluent and high net worth investors, it has more than ever before. In 2015, the U.S. had 10.4 million households with assets of $1 million or greater, aside from their homes. That represents a 3% increase from 2014. Impressively, 1.2 million of those households were worth between $5 million and $25 million.[1]

How did these people become rich? Did they come from money? In most cases, the answer is no. The 2016 edition of U.S. Trust's *Insights on Wealth and Worth* survey shares characteristics of nearly 700 Americans with $3 million or more in investable assets. Seventy-seven percent of the survey respondents reported growing up in middle class or working class households. A slight majority (52%) said that the bulk of their wealth came from earned income; 32% credited investing.[2]

It appears most of these individuals benefited not from silver spoons in their mouths, but from taking a particular outlook on life and following sound financial principles. U.S. Trust asked these multimillionaires to state the three values that were most emphasized to them by their parents. The top answers? Educational achievement, financial discipline, and the importance of working.[2]

Is education the first step toward wealth? There may be a strong correlation. Ninety percent of those polled in a recent BMO Private Bank millionaire survey said that they had earned college degrees. (The National Center for Education Statistics notes that in 2015, only 36% of Americans aged 25-29 were college graduates.)[3]

Interestingly, a lasting marriage may also help. Studies from Ohio State University and the National Bureau of Economic Research (NBER) both conclude that married people end up economically better off by the time they retire than singles who have never married. In fact, NBER finds that, on average,

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married people will have ten times the assets of single people by the start of retirement. Divorce, on the other hand, often wrecks finances. The OSU study found that the average divorced person loses 77% of the wealth he or she had while married.[3]

Most of the multi-millionaires in the U.S. Trust study got off to an early start. On average, they began saving money at 14; held their first job at 15; and invested in equities by the time they were 25.[2]

Most of them have invested conventionally. Eighty-three percent of those polled by U.S. Trust credited buy-and-hold investment strategies for part of their wealth. Eighty-nine percent reported that equities and debt instruments had generated most of their portfolio gains.[2]

Many of these millionaires keep a close eye on taxes and risk. Fifty-five percent agreed with the statement that it is "more important to minimize the impact of taxes when making investment decisions than it is to pursue the highest possible returns regardless of the tax consequences." In a similar vein, 60% said that lessening their risk exposure is important, even if they end up with less yield as a consequence.[2]

Are these people mostly entrepreneurs? No, the aforementioned Spectrem Group survey found that millionaires and multi-millionaires come from all kinds of career fields. The most commonly cited occupations are, manager (16%), professional (15%), and educator (13%).[4]

Here is one last detail that is certainly worth noting. According to Spectrem Group, 78% of millionaires turn to financial professionals for help managing their investments.[4]

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RMDs

Required Minimum Distribution

DEADLINE IS

DECEMBER 31st

Just what is an RMD? After you turn 70½, the IRS requires you to withdraw some of the money in most retirement savings accounts each year. These withdrawals are officially called Required Minimum Distributions (RMDs).

If you have any questions about RMD's, we are here to help you.

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real IRS only sends notices via regular mail, of course, but that can be easily forgotten when dealing with a wily and confrontational con artist.[2]

Talk about these scams with your parents or loved ones. Make sure that they understand that they shouldn't give out Medicare or Social Security numbers, and always be absolutely certain before signing anything, particularly legal documents, contracts, and anything to do with making an investment. For the latter, if you don't already know the people who handle financial matters for your parents or loved ones, suggest that a meeting be arranged and, if necessary, that they be instructed to work with you under certain circumstances.[2]

Stay informed, there are a number of resources to keep you and your parents or loved ones aware of fraud, both in terms of new scams and even instances of elder financial abuse in your area. StopFraud.gov offers a number of resources and tips for identifying and reporting the financial exploitation of elders. The AARP website features a Fraud Watch program and offers and interactive national fraud map that can look at specific reports and alerts from law enforcement.[2,3,4]

With careful planning and communication, you can make a real effort to protect your parents and other elders in your family from an embarrassing and costly set of circumstances.

Citations

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