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Aging and Exploitation: How Should the Financial Service Industry Respond?

Marguerite DeLiema
Stanford Center on Longevity

Martha Deevy
Standford University

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Aging and Exploitation: How Should the Financial Service Industry Respond?

Abstract

Elder financial victimization is a growing problem facing older Americans. As the conduits of financial transactions, financial firms are positioned to stop losses at their source. Representatives at small and large firms were interviewed to describe their financial exploitation training and prevention programs, their detection and response protocols, and how they balance the goals of client protection with the client's right to autonomy and privacy in financial decision-making. Representatives from regulatory agencies were interviewed to describe the interventions firms are authorized to engage in, the legal barriers they face, and recent rule change proposals that may overcome some of these barriers.

Keywords

Elder financial exploitation, elder fraud, financial advisor, fraud prevention, fraud detection, elder financial abuse, financial planning

Disciplines

Behavioral Economics

Comments

The published version of this Working Paper may be found in the 2017 publication: *Financial Decision Making and Retirement Security in an Aging World*.

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Financial Decision Making and Retirement Security in an Aging World

EDITED BY

Olivia S. Mitchell,
P. Brett Hammond, and
Stephen P. Utkus

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Contents

Part III. Solutions and Opportunities

Chapter 9

Aging and Exploitation: How Should the Financial Service Industry Respond?

Marguerite DeLiema and Martha Deevy

Elder financial victimization encompasses fraud targeting vulnerable older adults and financial exploitation by someone in a position of trust, yet it is difficult to define. This is partly due to the diverse mechanisms of financial victimization, the various actors involved, and the different types of relationships between perpetrators and their targets (Jackson 2015). The National Center on Elder Abuse (1998) defines elder financial exploitation as the illegal or improper use of an elder's funds, property, or assets. An 'elder' is typically defined as an adult over the age of 60 or 65, although legal statutes and social programs for the elderly may differ.

Financial victimization includes crimes such as scams and fraud, use of an older person's checks, credit, or debit cards without permission, wrongful transfer of property or assets, misappropriation of funds, and abuse of fiduciary duty by a trusted representative (Bonnie and Wallace 2003). Friends, relatives, and caregivers who financially exploit vulnerable people take advantage of their trust to gain control of bank accounts, checkbooks, and payment cards, often under the guise of 'helping' elders manage their finances. The abuser may be an appointed power of attorney, a legal guardian, a trustee, or someone else in a fiduciary role, or have informal access to the elder's money through a familial bond. Fraud perpetrators, by contrast, are predatory strangers who earn their target's trust by promising a future benefit or reward in exchange for money or personal information upfront.

Compared to younger persons, seniors may be disproportionately targeted by fraud perpetrators based on assumptions that they are more trusting of strangers, socially isolated, cognitively impaired, and have more financial resources to exploit. Older adults generally have higher credit scores, fixed Social Security or pension income, and more established savings, which also makes them more attractive targets for identity thieves and hackers (Comizio et al. 2015). Although people of all ages can be victims of fraud regardless of cognitive status or financial sophistication, common scams targeting seniors include bogus sweepstakes and prize promotions, unnecessary health care products, imposter scams, bogus investments, tech support scams, and fake charities (National Council on Aging 2015). To elicit compliance, perpetrators use tactics such as false affiliation with a trusted authority, social consensus, emotional arousal, enticement, intimidation, undue influence, and other persuasion methods. Victims ultimately never receive the promised rewards because they do not exist, were never intended to be provided, or were grossly misrepresented (Titus et al. 1995). In this chapter we focus on *financial exploitation*, where an older person is taken advantage of by friends and/or family members (people in positions of trust), as well as *elder fraud*, where a vulnerable older adult willingly agrees to give the perpetrator money in exchange for a promised future benefit or reward. Crimes in which the victim has no active role in the fraudulent transaction or where there is no interaction with the perpetrator (such as credit card theft or identity theft) are outside the scope of this chapter.

In what follows, we describe what the financial service industry is doing to adjust to an aging client population frequently targeted by predatory scam artists and greedy family members. We describe new approaches to financial victimization detection, prevention, and intervention by wealth advisory and banking firms, and we also outline the current regulatory landscape under which these firms are operating. We highlight the limitations of current regulations and practices, identify regulatory/legislative solutions, and offer options for improving protection.

Background and Significance

As the number of adults age 65+ grows in the US, so too will the incidence and cost of financial victimization. A study by Holtfreter et al. (2014) found that annual prevalence of elder financial fraud was approximately 14 percent among those age 60+ in Florida and Arizona. This is higher than the rate of elder financial exploitation by a family member of 5.2 percent among community-residing adults age 60+ (Acierno et al. 2010). Both numbers may be underestimates given the low rates of reporting among older people (Pak and Shadel 2011). Estimates of direct losses from elder financial victimization range from \$2.9 to \$36.5 billion a year (MetLife Mature Market Institute 2009; True Link 2015), and total fraud losses for all US adults may be well over \$50 billion annually (Deevy and Beals 2013). In addition to direct losses, other costs include legal fees and time off work to resolve the cases; as well as emotional consequences such as shame, frustration, depression, and feelings of betrayal (Button et al. 2010; Deem 2000; FINRA Foundation 2015). Among victims who experienced indirect losses from fraud, 45 percent of survey respondents paid \$100–\$1,000 in additional costs associated with the incident, and 29 percent paid over \$1,000 in indirect costs (FINRA Foundation 2015).

The financial industry has a pivotal role to play in reducing fraud and financial exploitation. Financial professionals are well-positioned to recognize the hallmarks of fraud and financial exploitation which include uncharacteristic withdrawals from checking, savings, or investment accounts; forged signatures on checks or financial documents; abrupt changes in powers of attorney; unexplained asset transfers; large checks written out to cash; and strangers becoming involved in the client's financial affairs (Conrad et al. 2011). A majority of financial professionals have witnessed these and other indicators during their careers. The Certified Financial Planner (CFP) Board of Standards found that 56 percent of CFPs stated they had clients who had been subject to unfair, deceptive, or abusive practices, with an average loss of $50,000 per victim (CFP Board of Standards 2012).

Financial sector firms face increasing pressure from regulators to ramp up their financial protection efforts. They can suffer customer litigation liability and enforcement actions for failing to address the risk of fraud in their compliance and employee training programs (Comizio et al. 2015). In the 2015 White House Conference on Aging, financial service firms were called on by the Director of the Consumer Financial Protection Bureau to educate employees and consumers on identifying crimes against the elderly (Cordray 2015). Due to the increased scrutiny around the issue, many firms are investing in programs to better detect customer vulnerability before funds are stolen and are developing protocols to respond quickly and effectively if prevention attempts fail. These practices help secure client assets, restore confidence in the institution, and strengthen brand value (Gunther 2016).

Though these are powerful motivators, preventing financial victimization is fraught with risks. Regulations designed to uphold consumer rights to privacy and autonomy sometimes interfere with a firm's financial protection efforts. For example, consumers have a right to make decisions about how and where they spend and invest their money, even if these choices are not in their best interests. So although firms have relationship management and risk management reasons to intervene when fraud is suspected, they must also be cautious not to infringe on their clients' autonomy (Lichtenberg 2016; Lock 2016). This means they must attempt to differentiate when losses are due to financial victimization versus when they result from poor consumer decision making in risky financial markets. This is a significant challenge given the ambiguity of many situations.

Analyses

Our approach was to conduct semi-structured interviews with a range of representatives from financial service firms and regulatory agencies. We agreed that data from written questionnaires would be less informative given the dearth of research that exists in this area to help design survey items and the challenge of recruiting enough representatives who are knowledgeable about the topic and their organizations' activities. Our findings were further informed by research from the AARP Public Policy Institute's BankSafe Initiative, policy briefs, financial institution trade organizations, and academic researchers. We focus exclusively on financial advisors and depository institutions because they have high customer contact and serve a sizeable proportion of the older adult population.[1]

In selecting participants to interview, our goal was to survey firms that varied in size and market share to identify the scope of detection, intervention, and prevention practices. Accordingly, we spoke to two large banks with over 70 million customers that manage \$1.8 and \$2.1 trillion in assets, respectively, and employ an average of 244,000 full-time employees. We also interviewed midsize regional banks with approximately \$74 billion in assets and 10,000 employees, as well as small community banks with fewer than fifteen branches, less than \$1 billion in assets, and under 350 employees. To report on the broker-dealer side of the industry, we also interviewed large and medium-sized wealth management firms. The largest had approximately \$2.5 trillion in assets and over 15,000 financial advisors, and the smallest had nearly \$650 billion in assets and a few thousand contracted financial advisors. No small brokers or registered investment advisors were interviewed for this chapter, a limitation that may be addressed in later research. We also sought perspectives from regulatory bodies that oversee financial service industries including the Financial Industry Regulatory Authority (FINRA) (the largest broker-dealer self-regulatory organization), the North American Securities Administrators Association (NASAA), the Consumer Financial Protection Bureau (CFPB), and the Securities and Exchange Commission (SEC).[2]

Questions posed to the financial service firms included: (1) What is your firm doing to detect and prevent fraud and financial exploitation? (2) What regulations govern your detection/prevention policies? (3) How do you train your employees to recognize the signs of financial victimization by the clients' friends, family, or strangers? (4) What are your policies for reporting concerns that a client is being victimized? (5) Are there any actions you wish you could take to intervene, but can't because of regulatory/legal issues? (6) Is your firm going beyond regulatory requirements? (7) Are there any other barriers to detection and intervention that you would like to share? (8) Do you wish you could do more?

Questions posed to the state, federal, and local regulatory bodies/law enforcement agencies were: (1) Under current rules and regulations, what are [banks/financial advisors] obligated to do to protect their clients from fraud and financial abuse? (2) Do these regulations conflict with what firms are actually doing or not doing? If so, how? (3) What would you like to see firms doing better to protect their clients against financial victimization? (4) What do you see as the future of regulation in this area?

All participants were informed that no comments would be attributed to particular informants unless special permission was requested. These steps were taken to encourage the entities to speak candidly about sensitive topics typically not discussed with researchers because of concerns about brand reputation and potential liability issues.

Findings

A key priority across the financial service sector was to reduce the incidence of fraud and financial exploitation. Our respondents expressed that the interest in elder financial abuse has grown exponentially of late, starting in the broker-dealer side of the industry. Interest was driven by increasing referrals to compliance departments and demand by frontline staff to receive more guidance on how to address potential financial victimization of older clients.

We found significant variations in approaches for resolving financial victimization that were based on differences between bank and financial advisory firms' customer relationship models. Financial advisors have personal relationships with their clients and often work with the same individuals for decades and through multiple life stages. Therefore they tend to be more familiar with their clients' finances, risk preferences, and short- and long-term financial goals. By contrast, bank employees have transaction-based relationships with their customers. Their interactions are typically very brief and they do not assist customers with financial planning. Employees of small community banks may know some customers personally, but large national bank employees have thousands of customers who may visit multiple branches across different locations. These different client relationship models have produced somewhat different strategies for detecting and preventing financial victimization.

Borrowing terms sometimes used to classify the stages of patient care, we suggest that financial victimization can be addressed using both *primary* and *secondary* intervention. *Primary* interventions focus on stopping losses before they occur, such as by training frontline staff to recognize red flags, blocking suspicious transactions, and educating customers about avoiding scams and protecting their assets through estate planning. The primary interventions that we discuss in this chapter include: (1) employee training, (2) community outreach, (3) early financial planning, (4) financial tools, products, and account features, and (5) data-driven fraud detection strategies. *Secondary* interventions are those used to 'treat' the problem once it has already occurred, such as recovery of lost funds and/or criminal prosecution of offenders. The secondary interventions that we discuss in this chapter include: (1) federal reporting of elder financial victimization, (2) reporting to adult protective services (APS), and (3) working with local law enforcement agencies. Systematic research on the effectiveness of specific primary and secondary intervention practices is lacking in this area, so while various programs are described in this chapter, their outcomes are not presented. Evaluations of program effectiveness are sorely needed and should be addressed in future research. Because intervention approaches differ between banks and wealth advisors due to different client relationship models and different regulations, their unique approaches are presented separately in the following.

Primary Interventions

Training Financial Advisors

Training wealth advisors on issues related to elder financial victimization is required at all the firms we interviewed, although the focus, frequency, duration, and modality of training programs differ. All businesses require new employees to be trained to identify the signs of financial exploitation and the steps to take when exploitation or fraud is suspected. Some firms require employees to complete training one time only, generally when they are first hired, whereas others require re-training each year or whenever new guidelines and protocols are implemented.

While most firms state that their training programs are computer-based, two wealth advisory firms indicated that instructor-led training is more effective at increasing retention and conveying the complexity of financial exploitation scenarios. For example, Wells Fargo Advisors has a training program that uses hypothetical video-based vignettes to guide advisors and client associates through group discussions about elder financial abuse (Long 2014). This training is mandatory for all advisors. Employees are also given instructions on how to *OWN IT*, which involves five steps:

(1) *Observe*: Notice unusual patterns or changes in a client's behavior. Are there recent changes in the client's health or mental status that may explain the unusual behavior? Is a stranger accompanying the client to meetings, coaching him over the phone, or overly interested in the client's financial affairs?
(2) *Wonder Why*: Question these unusual behaviors. For example, why is the client suddenly requesting a large disbursement of funds? Who is the unknown third party that will receive the funds?

(3) *Negotiate*: Try to convince the client to delay the transaction or to withdraw a smaller amount until the request can be investigated by the firm.
(4) *Isolate*: Speak with the client privately so that the suspected abuser cannot influence the client's responses.
(5) *Tattle*: Report concerns to a supervisor so that the situation can be investigated further and a report made to APS and/or law enforcement if necessary.

In addition to these programs, financial service professionals are also being educated about issues related to aging and how declines in cognitive functioning may increase the risk of financial exploitation (Marson 2016; Little and Timmerman 2015). This has been identified as a key area of interest among the firms we interviewed. Problems managing money are one of the initial areas of cognition to be impaired with age, and wealth advisors are sometimes the first professionals to notice diminished capacity in their clients (Marson and Sabatino 2012). Signs to look for include repeated phone calls to the advisor, inability to recall signing paperwork, forgetting prior conversations, losing track of important documents, trouble understanding financial concepts, and impaired financial judgment such as showing atypical interest in risky investment options (Triebel and Marson 2012). If diminished capacity is suspected, Little and Timmerman (2015) recommend asking the client to bring a trusted family member to the next meeting and to determine if the client has granted anyone financial power of attorney. They also recommend carefully documenting the conversation and following up via a phone call or email.

Training Bank Employees

Most Americans do not have personal wealth advisors, but the vast majority do have bank accounts (Survey of Consumer Finances 2013). Large depository institutions and payment card retailers are at the forefront of fraud detection using sophisticated algorithms that flag suspicious transfers; however, signs of financial abuse, such as unusual signatures on checks or strangers who accompany an older customer to the bank, are not flagged by automated fraud detection systems. In such situations, customer-facing employees are in the best position to notice exploitation and to get others involved.

A recent AARP study found that 70 percent of adults age 50+ reported that bank employees recognized them when they visited their local branch, and 32 percent saw an employee they knew (Gunther 2016). A Federal Deposit Insurance Corporation (FDIC 2014) survey found that over half of households age 65+ relied primarily on bank tellers to access their accounts, compared to less than 20 percent of households younger than age 45 (FDIC 2014). As a result, in-person interactions with bank employees are still common among older cohorts, and educating frontline staff may curb rates of exploitation. One bank prevented $2.2 million in potential losses through situational training where frontline employees learned the red flags of exploitation and how to report suspicious activity (Swett and Millstein 2002).

Our respondents noted that developing financial exploitation training programs is costly, particularly for small banks with limited development funds. To address such cost issues, financial institution trade organizations are helping their member firms create training materials and other media. For example, with support from the Oregon Department of Human Services, the Oregon Department of Justice, and AARP, the Oregon Bankers Association developed a training manual and DVD for frontline staff. The Oregon Bank Project toolkit and training manual outlines warning signs such as sudden changes in beneficiaries or increases in debt, adding third parties to personal accounts, multiple requests to wire money, and unrecognizable handwriting on checks, deposit slips, or loan applications (Oregon Bankers Association 2013). This toolkit advises staff on what to look for when interacting with customers face-to-face. Such warning signs include the following indicators: the customer is accompanied to the bank by a 'new best friend'; another person speaks on the customer's behalf without authorization; and the customer is confused and cannot give plausible explanations for unusually large withdrawals. This training manual also features information on relevant laws and response protocols. It is freely accessible online and has been distributed to banks throughout the country. Oregon banks are now the second highest reporters of abuse to APS in the state even though reporting is not mandatory for financial institutions (Gunther and Neill 2015).

Several innovative companies are using gamification strategies to make online training more interactive and to incent employees to participate. Barclays, one of the UK's largest banks, created an interactive web-based training tool called *Community Driving Licence*. Employees can earn points by taking short quizzes after each module and then post their points on the company's internal social media platform. The accredited program features modules on how to recognize cognitive impairment and how to make the banking experience more accessible to seniors (Gunther and Neill 2015). Employees can even earn continuing education credits for enrolling in the voluntary program. Such incentives have increased participation.

Acknowledging employees who successfully stop unauthorized transactions also improves motivation and reinforces their training. First Financial Bank in Texas instituted a Fraud Busters program to teach 1,200 frontline staff how to recognize and report signs of financial exploitation. This program is based on three principles: prevention, apprehension, and education. Employees who successfully spot and report elder financial exploitation receive public recognition from the CEO and a Fraud Busters pin to wear to signify their commitment to fighting exploitation. So far, First Financial Bank has saved its customers over $1 million by intercepting fraud and financial exploitation attempts (Gunther and Neill 2015).

Bank of American Fork, a small community bank in Utah, selects one full-time employee at each of its retail locations to be the branch's *Age-Friendly Champion*. While all employees receive yearly mandatory training on elder financial exploitation, the Age-Friendly Champion attends quarterly workshops at the firm's headquarters and receives leadership training on issues pertaining to older adults. Dementia, sensory changes, and financial victimization are all part of the curriculum. These team members are encouraged to share their knowledge with co-workers at the local branch and to foster a culture that emphasizes reporting elder mistreatment to the appropriate authorities (Gunther and Neill 2015). This program is perceived as successful at cultivating heightened sensitivity to older customers' needs, and it has generated attention and praise from the media.

Some employee training is virtually free to implement. For example, screen savers throughout the Hong Kong and Shanghai Banking Corporation (HSBC) display pictures of older adults alongside information on the warning signs of financial victimization. These messages raise awareness and remind frontline staff to be vigilant. AARP is planning to create a similar screen saver and distribute it to banks across the US. The screen saver will be customizable so that companies can add their logos and other branding.

Preventing Exploitation through Community Outreach

Education efforts have moved beyond frontline staff. Three firms reported that they are hosting events to educate older customers and their family caregivers about fraud. Outreach events are typically held at local senior and community centers, churches, local businesses, libraries, police departments, and civic centers. Allianz Life has partnered with the Better Business Bureau to create the *Safeguarding Our Seniors* volunteer program for employees and community members. Volunteers go to community and senior centers to speak about exploitation and the importance of financial planning. Collaborating with community groups brings credibility to firms, builds relationships, and brings positive media attention (Barbic 2016).

Several community outreach and education initiatives are led by financial institution trade organizations. For instance, the American Bankers Association

(ABA) Foundation launched the *Safe Banking for Seniors* campaign, with the goal of helping firms improve fraud prevention and education programs (Barbic 2016). Any bank can participate and download communication resources such as ready-made presentations, handouts on financial exploitation, and 'how-to' guides for hosting educational events. The ABA Foundation also encourages banks to network with local groups that serve the needs of seniors, like Area Agencies on Aging (AoA) and APS. ABA also recognizes banks leading the way in community outreach and age-friendly practices through their *Community Commitment Awards*. So far, small and medium-sized banks have received the most recognition. For example, Bank of the West received an Honorable Mention for its partnership with non-profit organizations to host financial exploitation seminars aimed at low- and middle-income seniors and those who live in rural areas. They also support broad consumer awareness initiatives by collaborating with aging advocacy groups to create educational films/projects and publicize information about scams on social media. Other banks have also received recognition from ABA for their toolkits designed to help seniors and caregivers avoid financial victimization.

Preventing Exploitation through Early Financial Planning

To limit opportunities for fraud and financial abuse, Lichtenberg (2016) has recommended proactive estate planning between financial service professionals and their customers. Some firms reported using the educational outreach materials developed by their companies as conversation starters to encourage clients to think about whom they would appoint as authorized representatives should they be unable to make financial decisions independently. DaDalt and Coughlin (2016) present five financial planning actions that should be addressed sequentially by families and advisors to support an older person. These include: (1) assess current assets, (2) review income and insurance, (3) discuss future care preferences, (4) manage daily expenses, and (5) plan care management.

Initiating delicate conversations about aging and cognitive decline has been identified as a key challenge by the professionals interviewed. Older clients may feel threatened when their advisors seek to discuss the risks associated with cognitive impairment, particularly those who value autonomy in financial decision making or who feel anxious about their cognitive abilities. Advisors recommended that such conversations should occur early in the client–advisor relationship, long before any signs of impairment emerge.

As part of FINRA's *Know Your Customer* rules (FINRA 2011), broker-dealers (individuals that can buy and sell securities) are required to know essential facts about their clients and who has authority to act on behalf of the client. To comply, most firms require their advisors to have a conversation with the client every three years (at a minimum). One interview respondent stated that discussions about estate planning can be integrated into these conversations, particularly when the client reaches a particular age or life milestone. This respondent also recommended that firms institute a 'financial checkup' policy for clients once they turn age 75 and 80. If instituted within *Know Your Customer* policies, routine checkups may help normalize discussions around how and when to transition financial responsibilities to an adult child, a close friend, or other relative.

All of the firms interviewed recognized that it can be more difficult to intervene when financial abuse is committed by someone close to the client, particularly when this individual already has control over the client's assets. Victims may deny exploitation to protect those they depend on for care and emotional support, and they may not want the offender (often an adult child) to be penalized by law enforcement (Enguidanos et al. 2014). Two firms we interviewed recommended that, to prevent financial abuse by friends and family, advisors should encourage clients to name multiple individuals to oversee their finances. Assigning co-trustees and joint powers of attorney ensures that no single person has full decision making control and reduces the risk of financial abuse.

NASAA has also created power of attorney guidelines and best practices with instructions on what financial advisors should do if an appointed agent takes advantage of a client. Additionally, the CFPB has issued instructions on how to manage someone else's money. These guides specify the rules and responsibilities of powers of attorney, trustees, and legal guardians, and they are publicly available for download.

As more people age without children or with children who live far away, financial advisors may find themselves isolated when working with impaired older clients who have no trusted people to help. One option is to recommend that the client work with a corporate trustee from a bank trust department or an independent trust company (Little and Timmerman 2015). Corporate trustees, though costly, are experts in trust administration and tax considerations. Another option for financial advisors is to contact APS, particularly if the client is cognitively impaired and appears to be neglecting personal needs. FINRA (2015a) has recommended that financial advisors not act as their clients' power of attorney, trustee, representative payee, or legal guardian, as this gives the advisors too much discretionary control over client assets and may lead to abuse.

Financial Tools, Products, and Account Features that Prevent Financial Victimization

To prevent financial victimization of older adults who depend on others for care and support, some companies have introduced products that allow caregivers to help elders with shopping, transportation, and paying bills, while limiting how much total money can be spent. For example, True Link is a debit card designed for families caring for seniors with mild cognitive impairment. The primary caregiver—usually the elder's son or daughter—can set spending limits and restrict the card's functionality to specific venues and retailers, such as the elder's favorite restaurant, a movie theater, or store. The card is meant to preserve the older person's autonomy by providing some financial independence, but it prevents others, such as hired personal caregivers, from misusing the funds. Prepaid debit cards can also help caregivers purchase needed items, but this system can be exploited by an individual who loads money onto the prepaid cards from the elder's account, so they should be used with caution.

Nearly every bank offers its customers the option to set up recurring automatic transfers from their main accounts into joint accounts they hold with others. Caregivers can use these joint accounts with lower balances to pay for groceries, medications, utilities, and other services, but they cannot access the rest of the elders' money. Convenience accounts are safer than traditional joint accounts and are recommended by the CFPB. These accounts do not have the right of survivorship and caregivers can only use them for the benefit of the elder in accordance with the elder's wishes (CFPB 2016). Upon the death of the elder, the money is distributed according to the will, rather than going to the secondary account holder by default. Third-party account monitoring is another popular online banking service whereby designated individuals have read-only privileges and may receive fraud and/or spending alerts on behalf of the primary account holders, but they cannot withdraw funds or transact business on the accounts. These are simple and low-cost interventions which financial institutions are promoting to older customers and their caregivers.

Data-Driven Strategies to Detect Financial Exploitation

Spurred by advances in mobile and online payment technology (Heintjes 2014), retail banks have invested in sophisticated fraud management systems to identify suspicious transactions. Some systems rely on user-defined criteria to predict which transactions are fraudulent, whereas others use advanced machine learning algorithms (Joyner 2011). Data gathered might include customer demographic information, the amount of money transferred, the location and IP address of the device used, and the patterning of transactions. More advanced algorithms can now integrate unstructured qualitative data from consumers' social media accounts like Twitter, Yelp, and Facebook. The hope is that by modeling typical patterns of online activity, financial institutions can flag deviations in behavior that signal financial victimization of customers of any age, not just older adults. To stay ahead of scam artists, these fraud detection algorithms must continuously evolve and incorporate new types of data.

If suspicious activity is detected in a customer's account, the banks interviewed seek to alert customers to potential fraud, usually via email, a letter, or a phone call. Often customers will notice the unauthorized transaction before the bank and will call customer service directly to report it. At Wells Fargo and other large banks, complaints are forwarded to an internal claims department for further investigation. The bank can stop the transaction if it is still in progress and reimburse losses depending on the outcome of the claims investigation. Wells Fargo instructs its customer service representatives to use the interaction as an opportunity to educate customers about how to protect themselves from future fraud attempts. Strategies recommended include ensuring that all access devices are password protected, and that customers inform the bank in advance about international travel plans and changes in address.

When accounts are held at different companies, it is challenging for any single institution to model patterns in customer financial behaviors and alert them to questionable transactions. One new company, EverSafe, seeks to solve this problem by consolidating customer account information across institutions and by providing daily fraud monitoring. EverSafe analyzes signs such as abnormal cash withdrawals, missing deposits, possible identity theft, and unusual credit bureau activity. Some fraud alerts are based on common signs of financial exploitation, while others are tailored to client financial history and spending patterns. The company also helps older clients select a trusted advocate who can help monitor accounts and receive alerts if abnormal activity is detected.

Transaction history data can also be used to proactively protect clients from fraud and financial abuse. For example, based on the profiles of elders exploited in the past, Barclays has applied specific search criteria to identify others with similar risk factors. One of the parameters selected was whether the customer issued an abnormally high number of checks in a very short period. Once such high-risk customers are identified, the bank places notifications on these accounts as an indication to frontline staff to educate these customers on reducing fraud risk during subsequent phone calls or visits to a branch. The firm is currently exploring a more direct approach, whereby bank staff contact the customer proactively to discuss fraud rather than waiting for the customer to initiate the conversation (Gunther and Neill 2015).

Secondary Interventions

Federal Reporting of Elder Financial Victimization

In addition to detecting elder financial exploitation, financial service professionals receive training in reporting procedures. All depository institutions and securities firms must submit a Suspicious Activity Report (SAR) to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) within thirty days following an incident. SAR filings help law enforcement agencies identify individuals, groups, and organizations involved in committing fraud, money laundering, and other crimes. In February 2011, a new category, 'Elder Financial Exploitation', was added to the reporting form following advisory notice FIN-2011-A003. In the eighteen months following the release of the new guidance, there was a 382 percent increase in the number of reports containing the terms 'elder financial abuse' and 'elder financial exploitation' (FinCEN 2013). This increase is depicted in Figure 9.1.

The reporting trend has continued to rise, particularly among banks. In 2015, depository institutions filed over 19,000 elder financial exploitation SARs, compared to 10,923 in 2013. Figure 9.2 shows that only 568 elder financial exploitation SARs were filed by securities firms in 2013, compared to 1,763 in 2015, or an increase of over 210 percent in just two years.

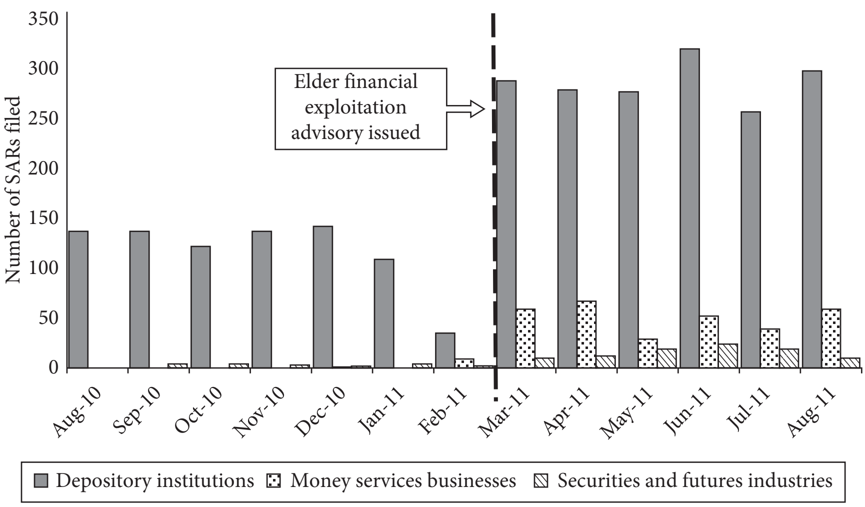

Figure 9.1. Increase in SAR filings containing the phrase 'elder financial exploitation' following FinCEN Advisory FIN-2011-A003 (August 2010–August 2011)

Notes: SAR Activity Review: Trends, Tips & Issues. *BSA Advisory Group*. Issue 23. Available at <https://www.fincen.gov/news_room/rp/files/sar_tti_23.pdf>.

Source: FinCEN (2013).

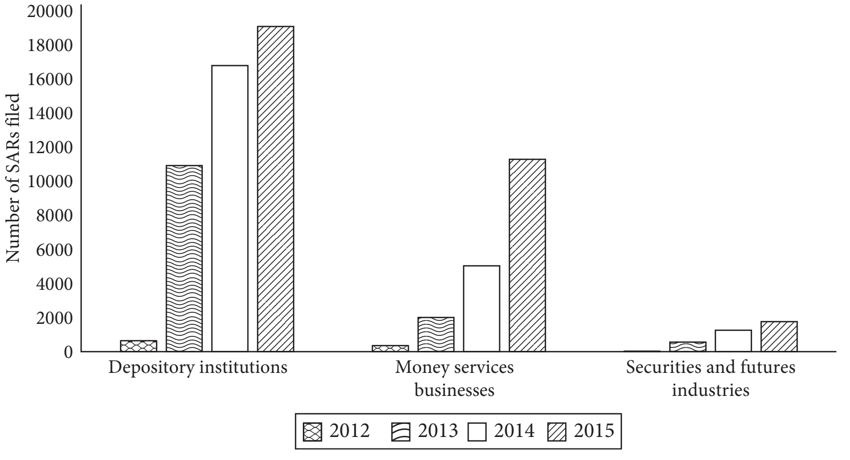

Figure 9.2. Increase in SARs filings containing the phrase 'elder financial exploitation' from 2012 to 2015 by type of financial service institution

Source: Author calculations using FinCEN (2016) data publicly available at <https://www.fincen.gov/Reports/SARStats>.

Financial exploitation by a relative or caregiver has been the most common type of elder financial victimization reported by depository institutions, which, compared to other types of financial institutions, file the highest number of financial exploitation SARs. Misuse of funds by an appointed power of attorney and the use of coercion to manipulate the client have also been frequently cited. Among filers with securities and futures firms, the most common type of activities reported were sweetheart scams, suspicious identification, embezzlement, identity theft, and mail fraud (FinCEN 2013).

The addition of elder financial exploitation as a new SAR filing category has helped protect at-risk seniors (FinCEN 2013). Money service businesses have identified and blocked the majority of suspicious transactions that were filed. FinCEN has also claimed that the reporting category increased awareness across multiple sectors of the industry, evidenced by how many firms incorporated elder financial exploitation into their suspicious activity and risk monitoring programs.

Despite some evidence that this new filing category has boosted awareness, one firm interviewed stated that SARs were ineffective at resolving financial exploitation at the individual level due to inaction by law enforcement following a report. This firm stated that the lack of response created a disincentive to file. Indeed, there has been little indication that regional SAR Review Teams (comprised of representatives from state and federal law enforcement agencies) have pursued elder financial exploitation cases. One reason is that such reports represent only a small proportion of total SAR filings. Moreover, SARs are considered highly confidential documents, and some local law enforcement agencies must request access to the data from their state coordinators, which may be the state attorney general, state police, or the department of public safety (FinCEN 2012). This process slows investigations and acts as a further disincentive for police to pursue these challenging cases.

Reporting to Adult Protective Services

In addition to SARs filings, required by firms across all financial service sectors, elder financial victimization reports to APS are mandatory for financial institutions in twenty-five states. In other states, such as Iowa and Virginia, financial institution employees are permitted to report abuse to APS but it is not mandatory (Comizio et al. 2015). Laws vary with respect to what financial service designations are included—broker-dealers, accountants, insurers, banks, etc.—and who at a company must report—a director or officer of the institution or any affiliated employee. Table 9.1 describes which states have mandatory reporting laws for financial institutions and who at the institution must file the report.

At the majority of firms interviewed, employees relay suspicions of financial exploitation or fraud to a supervisor or a manager. The supervisor can then escalate the case to an internal compliance department that decides whether to report to APS and/or law enforcement. Wells Fargo Advisors has created the Elder Strategy Group, a central intake office comprised of lawyers and paralegals who specialize in elder financial exploitation. This team receives reports from advisors and client associates located anywhere in the country, investigates the allegations internally, and will contact the APS office in the location where the client resides if the allegations need to be investigated further and if the client needs protection. Out of 1,860 incoming reports between January through December 2015, 818 cases were reported to APS or law enforcement. Approximately 32 percent of these cases involved suspected abuse by family members, 23 percent involved exploitation by third parties (caregivers, neighbors, and friends), and 10 percent were scams by strangers (Long 2015). Although not all states require elder abuse reporting by financial institutions, Wells Fargo Advisors considers itself a mandated reporter and will contact APS regardless of any particular state's requirements (Long 2016).

Many financial institutions initially opposed mandatory reporting laws because of liability concerns, fear of jeopardizing customer trust, and lack of confidence that their reports would be addressed promptly and effectively by APS (Swett and Millstein 2002). Some interview respondents argued that reporting could potentially increase client risk of harm by the

TABLE 9.1 Mandatory reporting laws for financial service institutions and employees by state (2015)

States without mandatory reporting	States with mandatory reporting (any employee)	States with mandatory reporting (financial institution)	States with voluntary reporting laws
Alabama	Arizona	District of Columbia	Iowa
Alaska	Arkansas	Hawaii	Missouri
Connecticut	California	Kansas	Nevada
Idaho	Colorado	Maryland	New Jersey
Illinois	Delaware	Washington	Vermont
Maine	Florida		Virginia
Massachusetts	Georgia		
Michigan	Indiana		
Minnesota	Kentucky		
Montana	Louisiana		
Nebraska	Mississippi		
New York	New Hampshire		
North Dakota	New Mexico		
Ohio	North Carolina		
Oregon	Oklahoma		
Pennsylvania	Rhode Island		
South Dakota	South Carolina		
West Virginia	Tennessee		
Wisconsin	Texas		
	Utah		
	Wyoming		

Note: Financial institution must report when it refuses to disburse funds based on a reasonable belief that financial exploitation of a vulnerable adult may have occurred, may have been attempted, or is being attempted.

Source: National Adult Protective Services Association Elder Financial Exploitation Advisory Board and EverSafe (2015).

perpetrator if they become aware of APS involvement; also, even if APS could help, the agency might be too understaffed and overwhelmed by the high volume of cases to quickly intervene. As a result, some of the firms we interviewed preferred to resolve the less serious cases internally, such as by helping to recover lost assets and getting other family members involved. Nevertheless, they recognized the importance of involving social services when clients were not safe.

Although many concerns were raised about the efficacy of mandatory reporting, it is clear that these laws have increased the total number of cases investigated by APS. After mandatory reporting laws were revised to include financial institutions in California, reports from financial institutions jumped from 127 cases in 2006, to 940 cases in 2007, representing a 640 percent increase (Navarro et al. 2009). There is still debate about whether mandated reporting is necessary to motivate financial professionals to report. According to one interview respondent, states such as Massachusetts and Oregon have been successful at increasing reports to APS despite not having laws that make it mandatory. To help address some of the current limitations in elder abuse response and to increase visibility around the issue, the Securities Industry and Financial Markets Association (SIFMA), a trade organization for financial advisors, has advocated increasing government funding to APS (SIFMA 2016).

Working with Law Enforcement

When financial exploitation has occurred, key priorities for financial institutions and victim advocates are to protect the older person and to recover assets. Other priorities are to ensure that perpetrators are apprehended and that appropriate legal and criminal justice outcomes are pursued. These solutions generally require law enforcement and APS involvement. We interviewed a financial crimes detective who shared a story about a local branch manager who called police immediately when an elderly customer requested an unusually large withdrawal and was shadowed by a stranger during a visit to her bank. A deputy responded immediately and arrested the suspect in the parking lot. The scam artist, who was also attempting to fleece other seniors in the area, could have continued with this scheme if law enforcement had not been contacted right away.

Criminal prosecution of those who exploit vulnerable adults is only possible through cooperation and information sharing with law enforcement. Contacting APS and law enforcement can prevent re-victimization and ensure client assets are protected. The financial crimes detective stated that banks and financial advisors must have contacts at local police or sheriff stations to advise and facilitate investigations of fraud and financial exploitation. To comply with investigations, financial firms can help law enforcement by promptly releasing client financial records and other supporting evidence such as ATM camera and CCTV footage that may help identify the perpetrator. The detective stated that, although banks have improved communication with police in recent years, more collaboration and cross-training is needed.

The Regulatory Puzzle

If clients are cognitively intact, financial professionals are obligated to execute their orders and protect their private information, even if they believe the clients are making poor financial decisions. Interfering with a transaction by placing a hold on the disbursement of funds or by disclosing information to third parties may result in lawsuits from clients and/or sanctions from regulatory agencies. Yet there is also pressure from these regulators to protect clients from fraud and financial abuse. The firms interviewed stated that the contradictory pressures from regulators places them in legal limbo, particularly when confronted with complex or ambiguous financial exploitation scenarios.

According to our interviews, firms wish to do more to protect older clients, and regulators agreed that more actions are necessary, but the complicated patchwork of state and federal oversight, shown in Figure 9.3, makes it difficult to have a consistent response to elder financial exploitation. For example, depending on their designations and certifications, financial planners are governed by different entities and different laws (US Government Accountability Office 2011). Registered investment advisors are regulated either by their state securities departments and/or by the SEC, depending on the size of their firms. FINRA, which is an independent self-regulatory membership-based organization (SRO), is empowered by the SEC to oversee broker-dealers. Although banks and financial advisors have similar rules governing customer privacy and reporting elder financial exploitation, banks are regulated by prudential regulators such as the FDIC, the Board of Governors of the Federal Reserve Board System, the Office of the Comptroller of the Currency (OCC), and also by the CFPB.

Privacy Concerns

The primary concern among interview respondents was violating regulations intended to protect customer privacy. The Gramm–Leach–Bliley Act (GLBA § 504(a) (1)) of 1999 requires financial institutions to inform clients about their privacy policies, describe the conditions under which they may disclose non-public personally identifiable financial information to third parties, and provide a way for clients to opt out of information sharing (US Government Publishing Office 1999). Without client consent, financial institutions cannot contact next of kin if they suspect cognitive impairment or exploitation. But a close inspection of the GLBA shows that there are important exceptions to these privacy rules (Hughes 2003). First, notification and opt-out requirements do not apply in situations where firms act to 'protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability' (GLBA § 248.15(2) (ii)). Second, client information can be shared with local law enforcement agencies and federal regulators, and it can also be shared to comply with 'a properly authorized civil, criminal, or regulatory investigation, or subpoena or summons by federal, state, or local authorities' (GLBA § 248.15(7) (ii)). Accordingly,

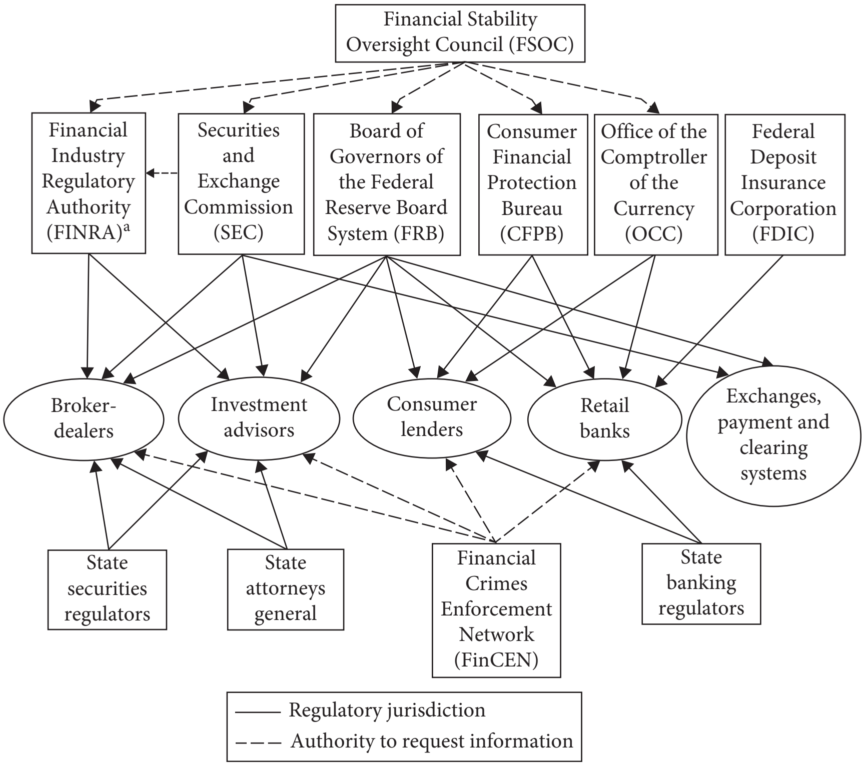

Figure 9.3. Regulatory oversight of select financial service providers[b]

Notes: [a] While the SEC is responsible for ensuring fairness for individual investors, FINRA is responsible for overseeing US stockbrokers and brokerage firms. FINRA is a self-regulatory organization (SRO), a non-governmental, membership-based organization that has the power to create and enforce security regulations and standards. [b] There are also other types of financial service providers—e.g., investment banks, commercial lenders, insurance companies—that are not depicted here. This figure excludes providers that do not offer direct services to consumers and their associated oversight agencies because these organizations are outside the scope of the chapter (FINRA 2011).

Source: Adapted from Murphy (2015: Table 2).

financial institutions and their employees have immunity from civil liability when reporting known or suspected financial exploitation, even if the allegations are ultimately not substantiated. This protection includes disclosing information to comply with voluntary or mandatory reporting laws and to file suspicious activity reports with FinCEN (Office of the Comptroller of the Currency 2013).

Statutory and case laws also protect personal financial information, but most have exceptions for disclosing financial records to APS and law enforcement.

Other than one state, South Dakota, APS laws provide immunity from civil and criminal liability to *any person* who reports elder financial abuse as long as they reported in good faith. One problem is that these laws do not specify whether 'any person' applies only to the individual employee or to the whole entity.

Additionally, the Right to Financial Privacy Act of 1978 (RFPA) protects confidentiality of personal financial records (US Government Publishing Office 1978b). Customers must be given prior notice and an opportunity to challenge the federal government's action in court before the government can obtain their private financial information from the firm. Nevertheless, the RFPA applies only to the federal government and not to state and local agencies like APS and police departments. These agencies can obtain customer financial records for investigative purposes. For example, if a bank teller in California suspected that a family member was manipulating an older client with dementia to withdrawal funds from his savings account, the bank can report concerns to APS and share the client's financial records with law enforcement when requested. None of these actions violate the provisions of GLBA or RFPA.

Rule Changes and Safe Harbor Protections

Several wealth advisory firms have stated that universal standards and safe harbor protections would enable them to do more to protect clients without fear of lawsuits and enforcement actions. Wells Fargo Advisors is taking a proactive approach, asking new clients to specify one or more 'emergency contacts' when they first open an account with the firm. The 'ICE' form (In Case of Emergency) authorizes the representative to contact the designated individual(s) if there are concerns about financial exploitation or fraud. Some emergency contact forms are modeled after advanced health care directives: they provide flexibility by allowing the client to specify what personal information can be shared with a specified contact and under what conditions. Unlike a power of attorney, the emergency contact form does not authorize the named individual(s) to transact business on behalf of the client, only to receive and share information related to the financial advisor's concerns.

Encouraging all new clients to name one or more emergency contacts will likely become a standard practice in years to come, but the forms have not been widely implemented and firms will be slow to collect this information from their existing clients. Financial institutions are already grappling with situations in which a vulnerable client has failed to provide authorization in advance, and where the client has no trusted friends or family members to name as emergency contacts. Financial advisors also fear that by delaying potentially fraudulent transactions, they may face liability for failing to follow through with the client's orders.

New legislation is being proposed to address these fears. In 2015, Missouri became the first state to pass landmark legislation, the Senior Savings Protection Act (MO Senate Bill 244/House Bill 636), that allows broker-dealers to breach privacy laws without being subject to civil liability suits as long as they have reason to suspect a client is being financially exploited. A qualified individual at the firm (a supervisor or compliance officer) is permitted to notify the client's legal representative or an immediate family member, such as a spouse, child, or sibling. The Act also allows financial advisors to hold a questionable disbursement for up to ten business days without penalty and report elder financial exploitation to the Department of Health and Senior Services and the Missouri Securities Commission. Washington and Delaware have similar laws, passed in 2010 and 2014, respectively, that allow financial advisors to pause a transaction if they suspect financial exploitation. This provides a short window to investigate the allegations before the client's money vanishes.

With support from their trade organizations, investment advisory firms from around the country encouraged NASAA and FINRA to follow these pioneering states and draft similar legislation. Both organizations issued proposals that give advisors safe harbor protections for intervening in cases of fraud and financial abuse, but there are important differences between the proposals. NASAA's Model Act permits firms to reach out to others if exploitation is suspected, but only if the client (age 60+) previously named emergency contacts. It does not provide legal protection if authorization was not provided in advance. As a Model Act, NASAA's 2015 proposal will need to be enacted by individual states before it becomes law.

FINRA's rule proposals (amendments to rules 4512 and 2165) require that firms make *reasonable efforts* to proactively obtain contact information for a trusted person when an account is opened or in the course of updating account information, yet if no trusted person is listed on the account, firms would be permitted to breach privacy rules and contact an immediate family member of their choosing (FINRA 2015b). NASAA's proposal permits member firms to place a hold on the disbursement of funds or securities for up to ten days if they suspect exploitation *or* have concerns about diminished financial capacity, whereas FINRA's proposal allows a fifteen-day hold but only in response to suspected fraud or exploitation. Once the hold is in place, firms must immediately review the facts and circumstances that caused them to believe that exploitation is occurring, has been attempted, or will be attempted. NASAA's proposal mandates that all firms report to APS, but FINRA's proposal leaves APS reporting requirements up to the states. Because state securities regulators oversee more designations of financial planners than FINRA, which only has jurisdiction over its member broker-dealers, adoption of NASAA's proposal may have greater impact across the industry. The regulators we interviewed stated that they do not anticipate significant pushback from firms as they offer more flexibility and safe harbor protection.

Regulation S-ID: Preventing Identity Theft

In April 2013, CFTC and SEC issued a joint rule, Regulation S-ID under the Dodd–Frank Act, designed to protect consumers from identity theft. This rule also protects individuals from fraud and financial abuse because it requires broker-dealers, investment companies, and investment advisors to establish and maintain programs for verifying investor identities and detecting the red flags of identity theft. Many of these signs overlap with financial exploitation. The rule requires that firms monitor accounts for fraudulent activity, respond when altered or forged documents are presented to advisors, and determine the validity of address change requests. Firms must also have procedures for contacting the customer and/or law enforcement to report identity theft, and escalation procedures to refer cases to investigators. Institutions must train staff in implementing identity theft procedures and conduct ongoing assessments of program effectiveness. Firms are permitted to close existing accounts and can refuse to open new accounts if identity theft is suspected. Thus Regulation S-ID makes it harder for scam artists and opportunistic family members to gain access to an older client's accounts and to make unauthorized withdrawals.

Regulation E: Protecting Electronic Fund Transfers

Most cases of fraud and identity theft are perpetrated through electronic channels using an access device, such as when a caregiver steals an elder's debit card and pin number to withdraw funds from an ATM. The Electronic Fund Transfer Act, or Regulation E (12 CFR 205), protects consumers from losses associated with unauthorized ATM withdrawals, point-of-sale terminal transactions in stores, and preauthorized transfers to or from an account such as direct deposit of Social Security payments or automatic bill pay (US Government Publishing Office 1978a). When a fraudulent transaction occurs, losses to the account holder are limited to $50 as long as the customer informs his bank within two business days after learning of the loss. Customer liability increases to up to $500 (or up to the value of the stolen funds) after those two days. If the customer fails to notify the bank of the unauthorized charges after sixty days, the institution is no longer responsible for covering any portion of the loss and the customer is fully liable. Regulation E only protects consumers if the transaction is unauthorized. If an elder willingly gives his debit card and pin number to his caregiver to buy him groceries, and the caregiver drains his bank account, Regulation E may not apply.

Regulation E also does not cover transfers of securities purchased or sold through broker-dealers, wire transfers between financial institutions, or counterfeit checks, meaning that other mechanisms through which fraud and financial exploitation are perpetrated are not covered under the law. Furthermore, older customers with cognitive impairments may be unaware they have been victimized and may fail to report losses to their banks within the sixty-day period. These vulnerable consumers face the risk of losing their entire savings to fraud committed electronically.

Present Challenges

To improve the industry's response to elder financial victimization, a number of problems still need to be addressed. One wealth advisory firm stated that the three barriers to improving detection and response to financial exploitation are: (1) the high cost of implementing changes to policies and procedures, (2) restrictive legislation, and (3) insufficient personnel. The securities regulators we interviewed expressed concern that firms were not doing enough to protect their clients, but that allowing them to delay transactions and break privacy rules would give the financial industry too much control. They stated that financial victimization is hard to diagnose with absolute certainty. Without clear guidelines that specify exactly when financial firms are authorized to intercede, firms might lean in the direction of overprotection and interfere with their clients' liberty to make independent financial choices. They may also unintentionally disclose information to a perpetrator who is named as the client's emergency contact. Interview respondents recommended more rules and guidance to help firms decide what to do when faced with ambiguous situations.

We also found that there is considerable variability in how firms respond to elder financial exploitation, even within the same company. Although banks must adhere to many of the same reporting and privacy rules as broker-dealers, their protection practices vary. This lack of consistency is largely due to differences in the regulatory bodies that oversee these two financial service industry sectors and their different customer relationship models. Both companies would be better equipped to combat financial exploitation if they shared resources across departments and institutions. This would also help save on program development costs.

There are considerable barriers to resolving cases of elder financial victimization. According to our interview with a financial fraud detective, the policy of internally escalating cases of suspected financial exploitation to compliance officers is ill-advised. Law enforcement needs to be immediately informed of potential criminal activity to apprehend perpetrators, and APS workers also need to be notified to ensure client safety. When firms are slow to report, perpetrators have more time to spend older people's money and to cover their tracks.

Another challenge for detectives is obtaining client financial records to support criminal investigations, even in cases where firms do report directly to police. In 2007, FinCEN issued guidance on the legality of disclosing private financial information to investigatory agencies (FinCEN 2007). This guidance stated that, when an institution files an SAR, it must retain and provide all documentation supporting the SAR to law enforcement and/or to appropriate supervisory agencies upon request. This disclosure is protected by safe harbor provisions and no legal process is needed, yet some firms still require law enforcement to fax them a warrant from a judge before releasing information. Others require the warrant to be delivered in person. These procedural inconsistencies across firms create additional barriers to law enforcement officers who have minimal training in investigating complex financial crimes. As a result, perpetrators are rarely prosecuted for elder financial abuse (Navarro et al. 2013).

Representatives at the firms we interviewed agreed that collaborative partnerships with local law enforcement and APS agencies are needed. They suggested that law enforcement provide firms with regular updates on the progress of investigations and the outcomes of the case, yet detectives and APS workers are not legally permitted to share information about an open case. Premature disclosure could potentially compromise their investigations (Swett and Millstein 2002). This lack of communication between financial firms and local investigators may protect the privacy of those involved, but it also creates a disincentive to report as some private sector employees feel their concerns are ignored.

One solution to this fragmentation in communication is encouraging representatives at each firm to participate in local multidisciplinary teams that help coordinate inter-agency response to financial exploitation. Examples include Elder Abuse Forensic Centers and Fiduciary Abuse Specialist Teams. Member agencies generally include local law enforcement, APS, district attorneys, victim advocates, social services, legal services, and physical and mental health providers. These partnerships seek to ensure client safety, collect comprehensive and accurate information useful for legal proceedings (e.g., prosecutions and/or guardianship/conservatorship), and secure client property and assets (Navarro et al. 2015). Though confidentiality provisions differ across states, most laws permit team members to share information with each other without violating privacy rules.

Research shows that collaboration among stakeholders increases the odds of criminal prosecution of offenders and conservatorship of vulnerable adults who are victims of financial crimes (Navarro et al. 2013; Gassoumis et al. 2015). Elder abuse multidisciplinary teams could benefit from participation by financial service professionals with expertise in forensic accounting. Bridges between the financial service industry, the adult protection system, and the criminal justice system could also help financial firms. They benefit from greater community involvement, networking opportunities, and an improved understanding of investigation procedures.

Future Steps

Proactive strategies preventing elder financial exploitation and fraud can be a powerful business differentiator in a crowded financial services marketplace. Large firms have the resources to invest in training and consumer education programs to combat financial victimization, yet they also have less flexible response protocols. Community banks are more nimble and can adapt their protocols based on what services they provide, the regions they operate in, and the age of their clients, yet they also have smaller budgets to invest in such initiatives.

Trade organizations are supporting member firms by developing training resources and consumer education materials. SIFMA created an online *Senior Investor Protection Resource Center* where member firms can download free resources. Trade organizations have established partnerships with adult protection agencies, senior advocacy groups, and other professionals that work with vulnerable adults. For example, NASAA partnered with the National Adult Protective Services Association and physician groups to increase awareness. Moreover, aging and consumer advocacy groups can put pressure on policymakers to improve and clarify laws so that banks and wealth advisory firms are operating under the same guidelines. As part of its BankSafe initiative, the AARP Public Policy Institute conducted a survey and found that over 80 percent of adults age 50+ prefer to establish accounts at banks that offer services to protect them against financial victimization, such as extra account monitoring, phone calls to warn about suspicious activity, and having highly trained bank staff (Gunther 2016). Therefore, consumers can also motivate the industry by patronizing firms that offer more age-friendly services and that demonstrate a commitment to protecting them as they age.

There is tremendous opportunity for the financial service industry to engage with researchers to better understand elder financial exploitation, particularly in mapping patterns in customers' spending and saving behavior to proactively identify those most at risk, the mechanisms through which money changes hands, and possible touch points for educating customers on avoiding fraud and financial abuse. To our knowledge, there have been no studies evaluating the efficacy of different training programs to determine whether they increase identification and reporting of financial victimization. There is also scarce data on the total value of assets that have been protected or recovered using different prevention strategies, and whether customers are satisfied with their firm's response. Companies should turn to research before investing time and money on potentially ineffective programs.

Research in behavioral economics and decision neuroscience could also inform the industry about how age-related changes in decision making increase the risk of fraud and exploitation. Most decision research is conducted in laboratory settings where participants receive hypothetical endowments of funds and are instructed to make purchase decisions among a fixed set of options. Findings do not necessarily generalize to applied situations in which consumers are spending and investing their own money. This represents an enormous gap in the literature and highlights a need to develop protocols for how researchers can work with the private sector's data and clients without violating privacy laws or jeopardizing data security.

Conclusions

US financial services are changing rapidly with advances in technology. The personal relationships that financial firms have with their clients and customers will become less common as Millennials replace Baby Boomers as the primary users of financial services. New technologies are shaping how often and in what capacity customers interact with bank staff and financial advisors. While 89 percent of Americans age 50+ visit their bank in person (Gunther 2016), younger customers mainly rely on online banking to make transactions and view account balances (TD Bank 2014). Other new services include mobile apps for instantly transferring funds person-to-person, credit card readers that plug into cellular phones, and 'robo-advisors' that virtually select and manage investment portfolios without guidance from a personal financial advisor.

New access devices and increased automation will not stop fraud and financial abuse. These services may perhaps make the problem worse. As younger generations grow older, how will emerging technologies detect diminished financial capacity, undue influence, and other subtle signs of exploitation? While the financial industry is mobilizing to protect older clients today, it must also look ahead and invest in solutions that protect future financial services customers.

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Notes

1. Fraud prevention efforts by credit card companies, credit unions, insurance providers, money transfer businesses, and venture capital firms are not discussed in this chapter.
2. Interviews took place between September and November in 2015 and were conducted by telephone. Potential participants were identified through their sponsorship and collaborative relationships with researchers at the Stanford Center on Longevity (SCL) and SCL's Corporate Affiliates Program and Advisory Board. Interviews were arranged by the primary contact person at the institution or agency who assisted by selecting knowledgeable members who could discuss their company's financial exploitation detection and prevention programs and/or who were familiar with regulatory policies governing the issue.

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