An ounce of prevention

Protecting seniors from financial fraud

By Tracey Kinker Gebert, CPA

Financial exploitation of the elderly has been on the rise during the past decade. In June 2011, *The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation and Predation Against America's Elders* confirmed the increasing problem of elder financial abuse. According to the study, victims of elder financial abuse suffer an annual financial loss of at least $2.9 billion, a 12 percent increase from the $2.6 billion estimated in 2008. The full study is available on MetLife's Mature Market Institute website.[1]

In their position among the most trusted public advisors, CPAs not only can detect financial fraud, but can help clients develop a plan to prevent it. CPAs have intimate knowledge about their clients' family dynamics – they are the eyes and ears of clients' financial lives. By asking the right questions and reviewing documents from this vantage point, instead of just from a tax-advisor's viewpoint, CPAs can help protect their clients from exploitation.

The culprit is…anyone

The most basic definition of elder financial abuse is the illegal or improper use of an elder's funds, property or assets. This includes any use that is contrary to the elder's wishes, needs or best interests. The perpetrator usually is an elder's family member, caregiver, friend or neighbor. In some cases, the perpetrator is a financial advisor.

According to *The MetLife Study of Elder Financial Abuse*[2], 8 percent of elder abuse was perpetrated by business affiliates (insurance professionals, pastors/ministers, bankers or attorneys). In the study, of all business perpetrators, CPAs and trustees were found to have committed the smallest percentage of exploitation.

Know the warning signs

Signs of exploitation include isolation of an elder, as well as intimidation tactics that keep the elder from speaking with people who have their best interests at heart. Changes in an elder client's lifestyle also can be red flags. They may include unexpected variations in spending patterns, changes in bank accounts or additional names on accounts. Large, unexplained account withdrawals, or changes in property deeds, powers of attorney and/or designated beneficiaries, also may indicate trouble.

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Check out AICPA resources

The AICPA provides elder-planning tools and resources on its website, www.aicpa.org. From the Interest Areas tab, click on Personal Financial Planning, then on Resources and on Elder Planning Services. The AICPA's 360 Degrees of Financial Literacy website, at www.360financialliteracy.org, also has resources.

Indications of trouble

Here are some signs of potential elder abuse.

- Significant withdrawals from an elder's accounts
- Increased credit-card activity
- Changes in property titles, quitclaim deeds, or new or refinanced mortgages
- Sudden changes in an elder's financial condition
- Changes in power of attorney, titles or policies
- Recent change in a will or trust, when an elder clearly is incapable
- Recent change in a will or trust to favor a new or much younger "friend"
- Additions to names on a senior's signature card
- Unpaid bills or lack of medical care when an elder has enough money to pay for them
- Financial activity a senior couldn't have transacted, such as an ATM withdrawal when an account holder is bedridden

As trusted advisors, the most important thing CPAs can do is recognize clients' capacity to manage their lives and make decisions about their care.

"Elders whose cognitive or financial ability to manage their affairs has diminished are substantially more vulnerable to financial exploitation," said Jean Costa, assistant regional counsel for the Florida Department of Children and Families. " Changes in an elder's life, such as the death of a spouse; the need for in-home caregivers not obtained through an agency; changes in Durable Power of Attorney; or quit-claim deeds can indicate or lead to abuse."

Two of the largest cases of financial exploitation in recent news are the cases of heiresses Brooke Astor and Huguette Clark. These are extreme examples of financial exploitation, but such abuse is committed every day against our clients.

Keeping clients safe

CPAs who perform elder-planning services should advise clients to have a plan to avoid financial exploitation. Caution clients to consult with a trusted financial advisor before signing legal documents or entering into major financial transactions. Recommend that clients provide contact information for a responsible person who may be contacted, if necessary. CPAs also can offer consulting services on a regular basis, to review clients' financial accounts and/or advise them on budgeting issues.

Elder planning can be the most rewarding service a CPA can perform. By opening the lines of communication with clients, meeting with them each tax season and discussing how they are living, CPAs can recognize changes in their lives and look out for their best interests. **FCT**

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References

1. Camico Publications
2. MetLife Mature Market Institute

Footnotes

[1]www.metlife.com/mmi. Click on Research, then on *The MetLife Study of Elder Financial Abuse*.

[2] Ibid.

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Want to know more?

Attend the Estate and Financial Planning Conference Dec. 1-2, 2011 at the Sheraton Fort Lauderdale Airport Hotel. Tracey Kinker Gebert will conduct a session entitled *Exploitation or Entitlement – Identifying the Difference*. To view a conference description, visit the FICPA's website at www.ficpa.org. From the Continuing Education tab, select Seminars, Conferences & Shows; then select Conferences & Recaps. Then click on Estate & Financial Planning Conference.