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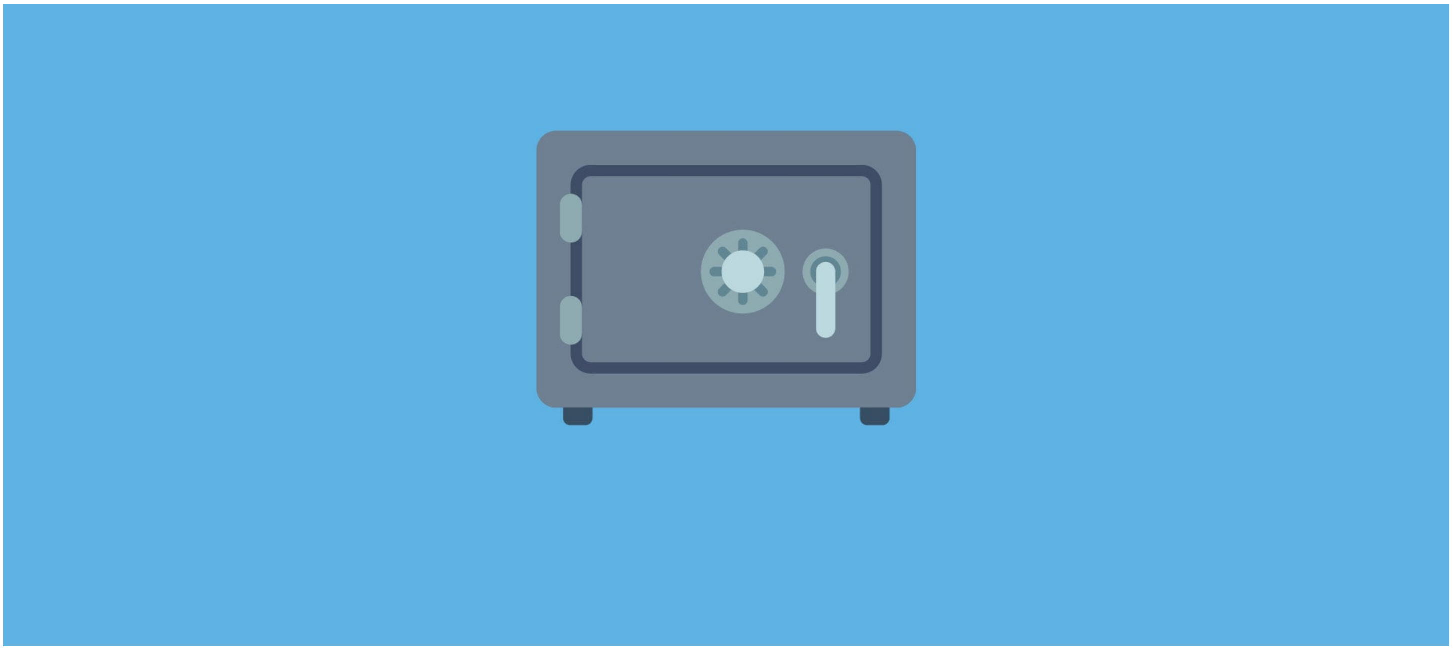

Safeguard Your Assets as You Age

by Kathleen Burns Kingsbury

"After mom died, Dad quickly started dating someone new. He seemed so happy but I couldn't help but wonder if his new girlfriend was interested in him—or his money?"

"My aunt seemed to be more forgetful than she was last year when I visited. I became really worried when I noticed a large stack of unopened bills piled up on the kitchen counter."

"I told my mother several times to say no to telemarketers when they call and ask for money. But when I reviewed her bank statement I discovered multiple checks written out to an organization I had never heard of. It really scared me."

If these concerns sound familiar, you are not alone. Adult children often worry about their parents' or elderly relatives' ability to make sound financial decisions as they age. For good reason, as one in five Americans 65 years of age or older are victims of financial exploitation to the tune of $2.9 billion in damages annually. Unfortunately, only one in 44 cases of abuse is actually reported.

This year the Financial Industry Regulatory Authority—otherwise known as FINRA—took steps to address this issue. On February 5, two new regulations became effective. The first allows wealth managers to put a 15-day hold on an account if they suspect a senior or vulnerable adult is a potential victim of financial fraud or abuse. The second enables them to reach out to a person previously designated as a "trusted contact" to illicit more information and, hopefully, rectify the situation.

Here is how it works. Wealth management firms are now required to ask clients to name a trusted contact and keep his or her email and phone numbers on file. If an advisor has a reasonable suspicion of financial exploitation or is concerned about a client's cognitive abilities, he or she can reach out to the trusted contact and put a temporary hold on the account in question. This allows the advisor time to research the matter and for the trusted contact to provide data about the client's whereabouts or well-being.

Similar to signing a HIPPA release form at your doctor's office, putting a trusted contact form in your investment file protects you should you be unable to do so yourself. Trusted contacts can give your advisor information, but they can't authorize financial transactions or conduct trades on your behalf. It is a safeguard should a situation arise where your advisor can't reach you, suspects you may be suffering some memory loss, or has reason to believe you are being exploited by another person.

While no one likes to think about this happening, the statistics indicate that granting your advisor permission to contact a designee in these limited situations is a safe and sound thing to do.

As with any new rule, you may have questions about when and how to select a trusted contact and how best to communicate this information to family. Here are some things to consider.

It Is Never Too Early to Name a Trusted Contact

No matter what your age, it makes sense to take preventative steps for the future. It may be a hard reality to face, but aging is inevitable. By age 75, most people experience some degree of mental and physical decline that impacts their ability to effectively manage their investments and personal finances. Some people experience these challenges earlier. Therefore, being proactive and naming a trusted contact now is wise. If you have aging parents and relatives, encourage them to do the same.

Select a Trusted Contact Carefully

According to the regulation, a trusted contact must be 18 years of age or older, and it is possible to name more than one person to this role. Consider naming an adult child, grandchild, niece or nephew, or a family friend who is financially literate and involved in your life. This way, if your trusted contact is asked to provide insight about your physical or mental health—or any changes in your life situation—he or she will be equipped to answer.

Ask Permission First

Ask the person (or people) you would like to designate as your trusted contact if they are comfortable taking on this responsibility. Don't be discouraged if someone declines as not everyone has the skills and aptitude for this role. Once permission is granted, make sure you have their most up-to-date email addresses and phone numbers. Also share your thoughts and expectations should your advisor reach out to this person in the future.

Communicate Your Wishes to Your Family

Naming a trusted contact is a great reason to engage the entire family in a money conversation. Start the dialogue by sharing the name of your trusted contact, your rationale for having one, and why you selected this person. Take time to answer any questions your family members might have about who you picked and why you have agreed to take advantage of this opportunity. By proactively engaging in this dialogue, you are sending your adult children and loved ones a clear signal that it is okay to discuss aging as a family. This is a gift that will serve you and your family well over time.

Enlist Your Advisor's Assistance

Advisors spend their careers helping people save, invest, and plan for their financial futures. They want to help you plan for all the contingencies in life, including unfortunate ones such as being a victim of fraud. Ask your advisor questions about these regulations and ways you can safeguard your assets over your lifetime. When appropriate, include your family in these conversations so they understand your needs and wishes as you age.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.
