



STANFORD
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LONGEVITY

Aging and Exploitation

How Should the Financial Service Industry Respond?

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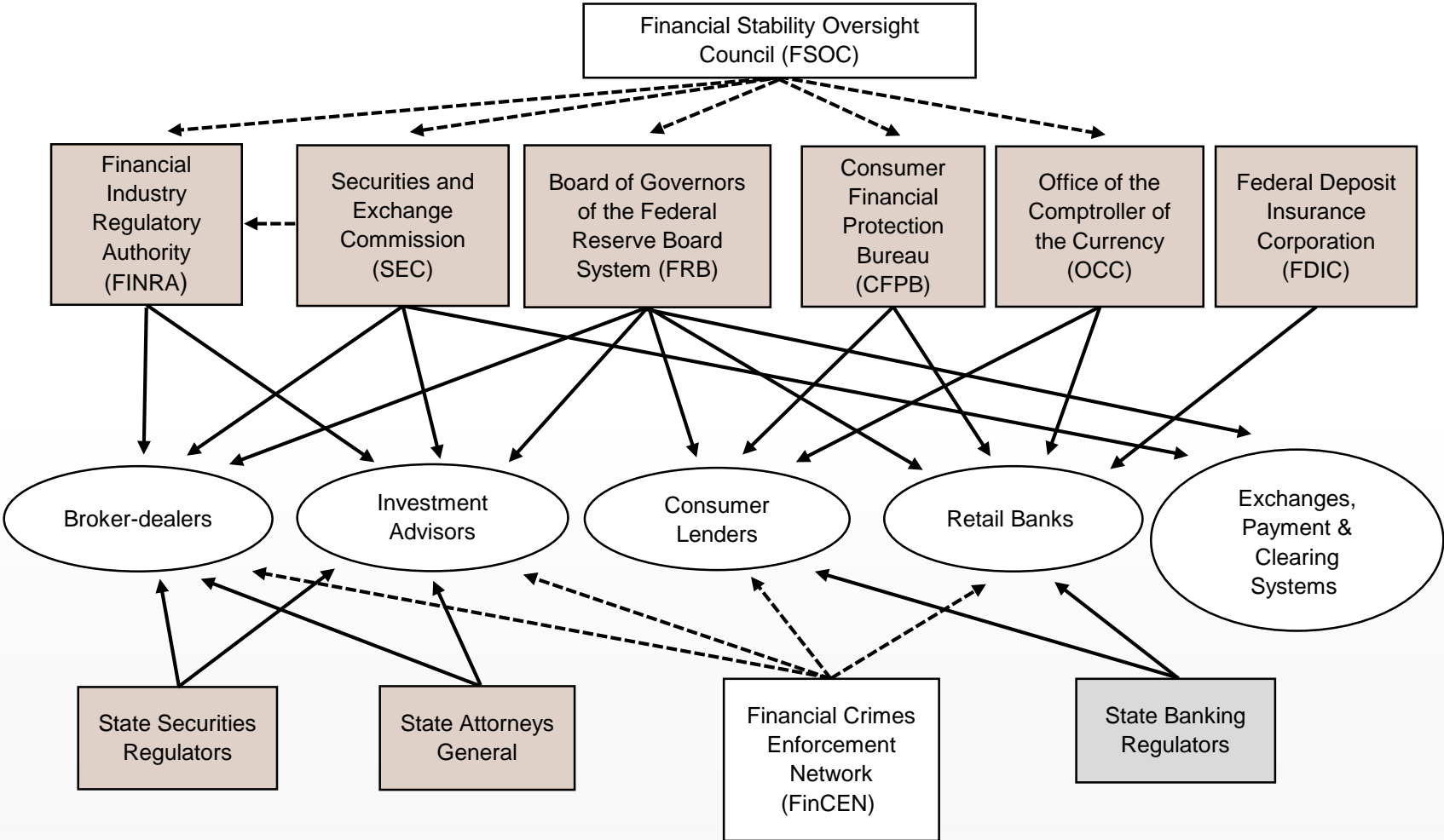
Pension Research Council Symposium, May 6th 2016

Financial victimization of older adults is a serious problem

- Seniors are prime targets for financial predators
 - Peak of asset accumulation
 - Diminished financial capacity
 - Social isolation
 - Targeted by both fraudsters and opportunistic family members
- Financial service institutions are on the front lines
- Increasing pressure to ramp up financial protection efforts



The oversight puzzle



———— Regulatory jurisdiction
- - - - Authority to request information

Research questions

1. What are firms doing to address elder financial exploitation?
 2. What regulations govern their detection and prevention policies?
 3. How do they train employees to recognize the red flags of financial exploitation?
 4. What are their policies for reporting suspicions of elder financial exploitation?
 5. Do they want to do more, and if so, what? What barriers do they face?
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Interviews

Broker-dealers & retail banks

- Small: under 400 employees; <\$1 billion assets
- Medium: 10,000 employees; \$70 billion assets
- Large: over 200,000 employees; \$2 trillion in assets

Regulatory & self-regulatory agencies

- FINRA
- SEC
- North American Securities Administrators Association (NASAA)
- CFPB

Trade organizations

- American Bankers Association (ABA)
 - Securities Industry and Financial Markets Association (SIFMA)
 - AARP
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Financial industry's chief concerns



Client
privacy



Brand
reputation



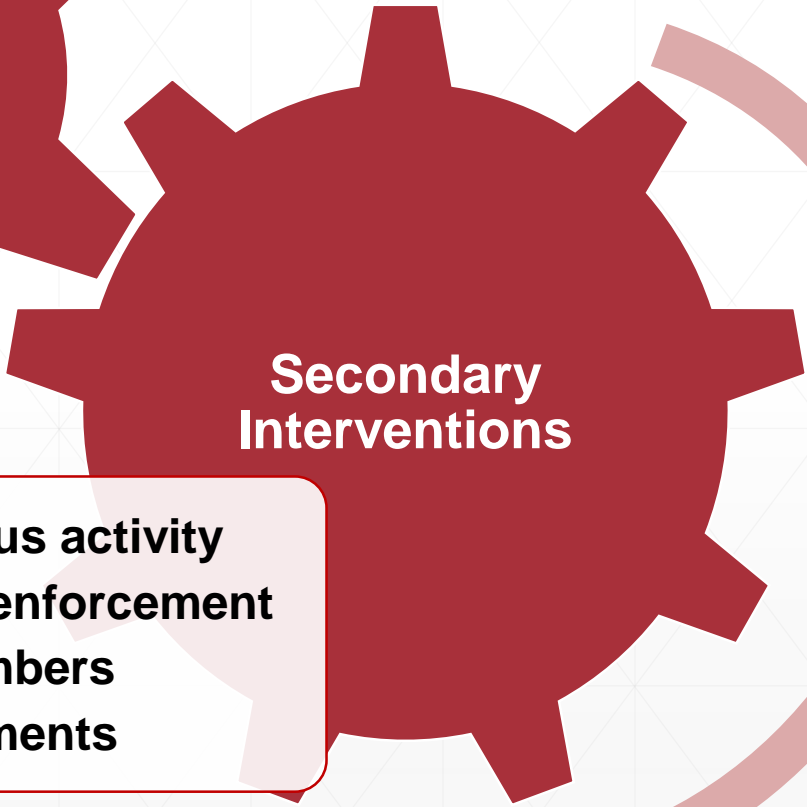
Client
financial
autonomy



Cost



- **Training frontline staff and financial advisors**
- **Early financial planning**
- **Tools/products for detection & prevention**
- **Community outreach & education**
- **Data-driven detection strategies**



- **Investigating suspicious activity**
- **Reporting to APS/law enforcement**
- **Contacting family members**
- **Withholding disbursements**



Differences across financial institutions

- Size of firm
- Rules and regulations
- Customer relationship model

Transaction-based

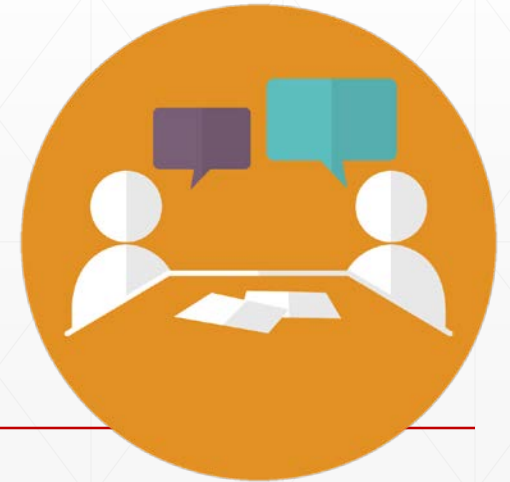


Relationship-based



Primary interventions: Detection & Prevention

Innovations in employee training



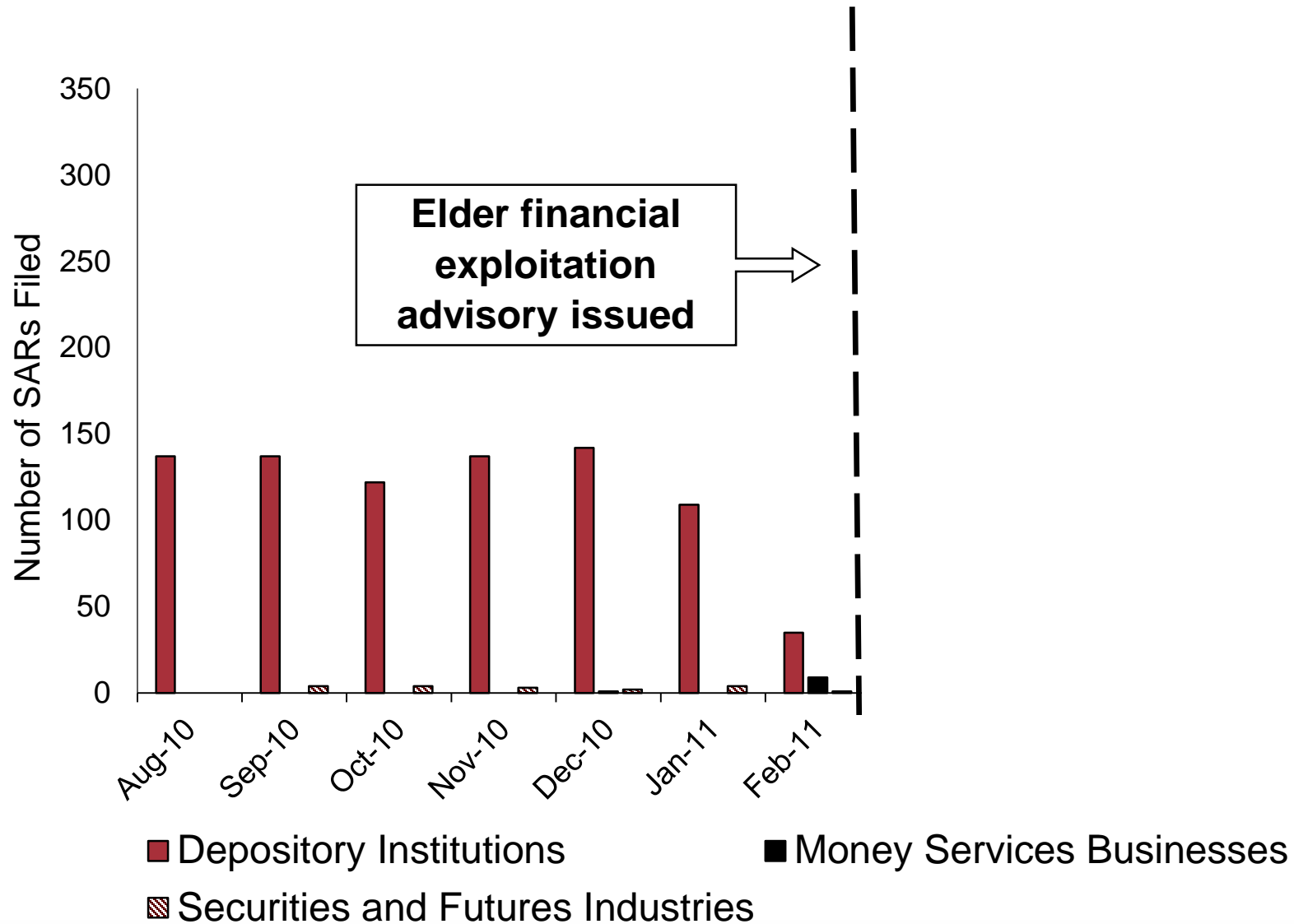
Tools and products to enhance protection



Secondary interventions: Reporting & Response

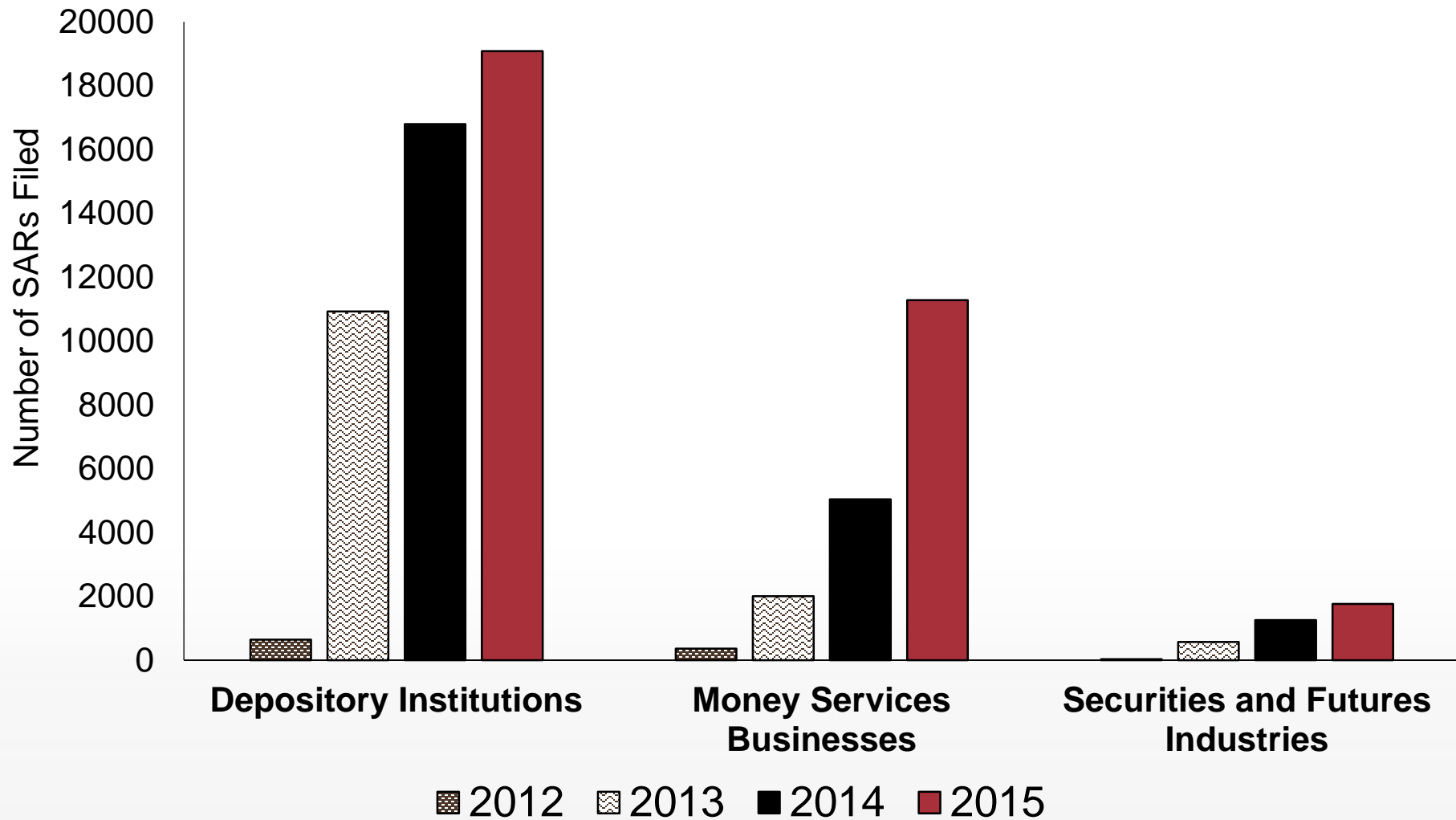


Increase in 'elder financial exploitation' filings





Increase in 'elder financial exploitation' SAR filings





Local Reporting

- Adult Protective Services
- Law Enforcement





“Stop the bleeding”

Contact trusted family members

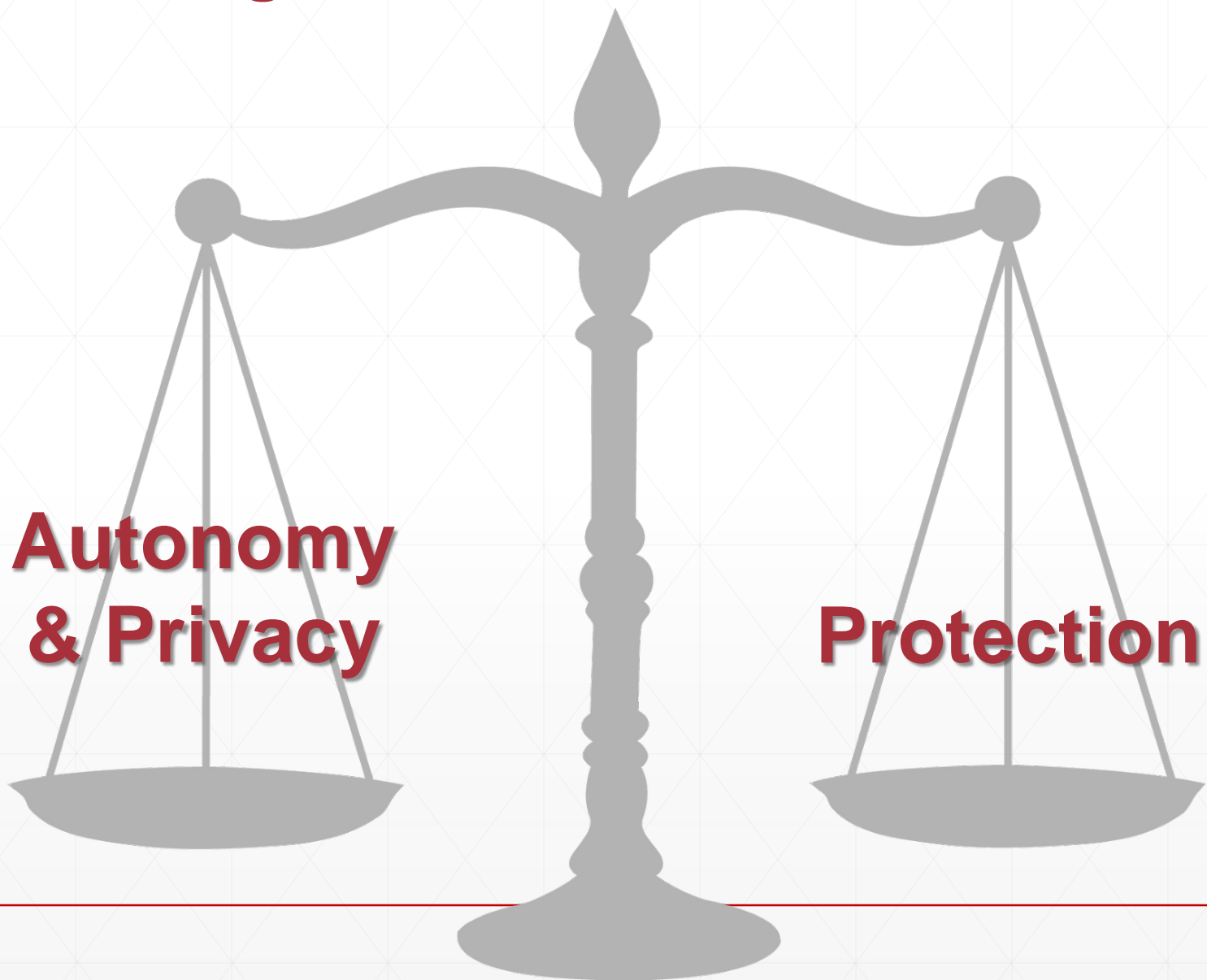


Pause the transaction





Balancing act





Solution: Safe Harbor Protections

- FINRA and NASAA rule proposals
 - Emergency contact forms
 - Disbursement holds





Looking forward

- Need for more standardization and guidance
 - Test interventions to identify best practices
 - Partnerships with community-level stakeholders
 - Engagement from trade organizations
 - Identify future risks associated with mobile banking and online investing
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Questions?