How do you protect seniors from being swindled?

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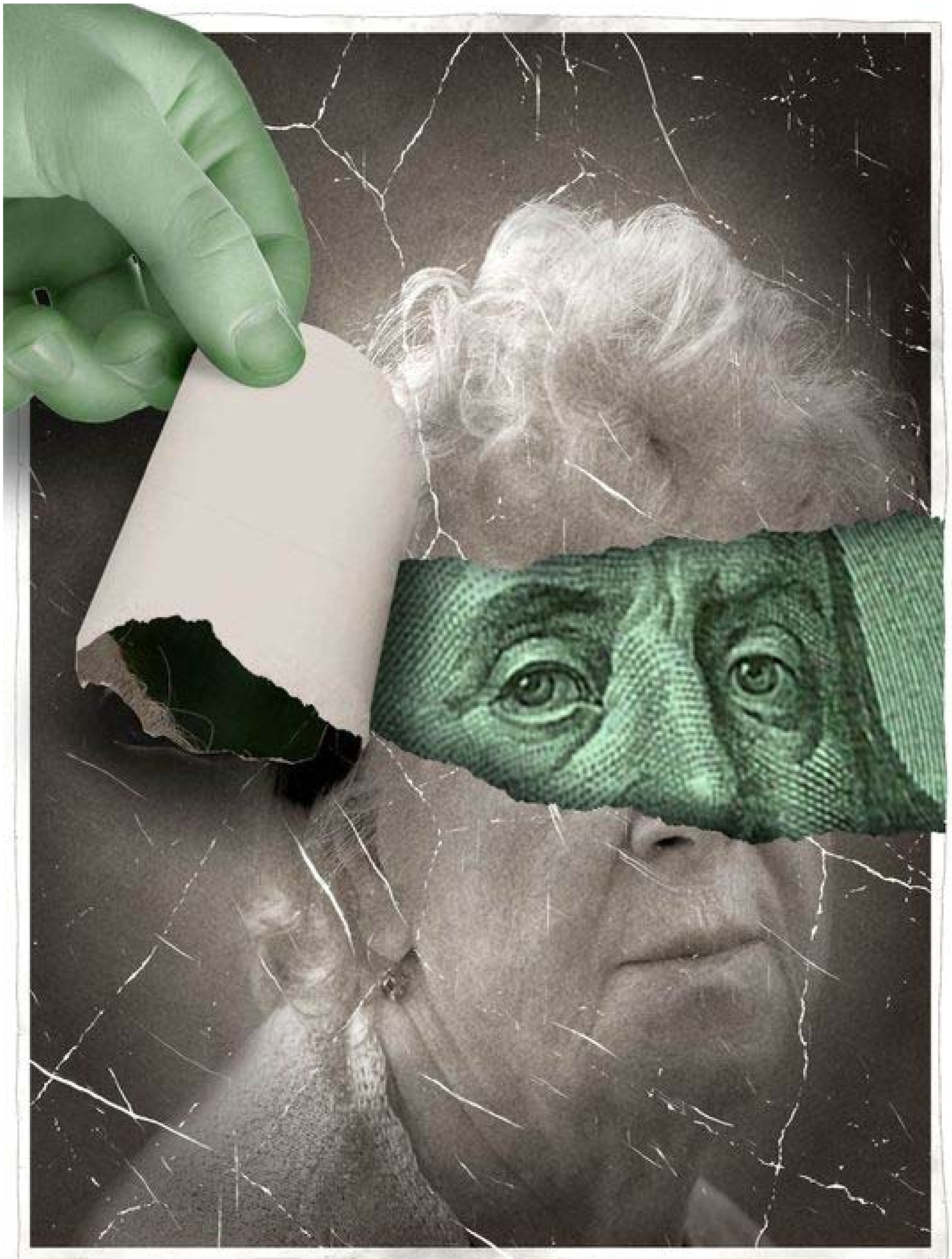

Financial exploitation of seniors is growing. Bill to further protect seniors was introduced in May in Lansing.(Photo: Rick Nease, MCT)

Financial advisers who suspect that a senior is being pressured by a son or daughter to sell stock and hand over the cash would be required to alert state authorities, under a bill introduced in Lansing.

Advisers also would have more legal leverage to drag their feet when it comes to paying out money from the account of an elder client, if they suspect the senior could be a victim of financial exploitation.

After all, once the money is in the wrong hands, it's likely to be quickly spent on a new car, an old bill or an exotic vacation. It's going to be very hard for a senior to get that money back.

Tough economic times — and downright bad money management — sadly drive some family members to put the squeeze on Grandma or Grandpa to hand over their savings.

Seniors who face memory issues might not even remember they've just given two or three other gifts of cash to the same relative in the same month.

May is Older Americans Month and a good time to talk about ways to protect seniors from financial abuse.

In recent years, state regulators have acknowledged that more needs to be done to stop friends and relatives from essentially stealing money from the retirement nest eggs — and bank accounts — of their loved ones.

With the amount of ink being given these days to deregulating the banking industry and dismantling the Dodd-Frank Act, it is important to recognize that some people continue to be vulnerable to fraud and need more protections, not fewer.

As baby boomers age, they're likely to become even bigger targets than their parents or grandparents when it comes to financial exploitation. Boomers are depending more on their savings, instead of pension checks. And con artists — inside and outside the family — can see an IRA or 401(k) as a pot of gold.

Last year, the Consumer Financial Protection Bureau issued a best-practices advisory for banks to spot financial abuse. Among other things, the CFPB suggested that offering "age-friendly services." For example, banks and credit unions could enable older consumers to provide advance consent to so that the bank could share account information with a trusted relative or friend when the elder appears to be at risk.

The North American Securities Administrators Association adopted a model act in 2016 to help states put tougher protections in place. Nine states have used the model so far — Alabama, Arkansas, Indiana, Louisiana, Mississippi, Montana, New Mexico, North Dakota, and Vermont. Michigan would join the list, if the legislation is approved.

The securities organization, comprised of state regulators, has backed putting protections into place for those 65 and older, as well as vulnerable individuals who are part of state protective services.

Financial exploitation is defined as wrongfully taking, withholding or using financial assets or property of an eligible adult. Exploitation also covers obtaining financial control, through deception, intimidation or undue influence.

Last year, 33 states, the District of Columbia and Puerto Rico addressed financial exploitation of the elderly and vulnerable adults in some manner in the 2016 legislative session, according to a report by the National Conference of State Legislatures. Michigan was not on that list in 2016.

But on May 2, Michigan Senate Bills 345 and 346 were introduced and the bills are being backed by a group of Democratic and Republican senators and representatives.

As part of the protections, financial advisers would be required to report suspected abuse to law enforcement and Adult Protective Services. And if Michigan is like other states, we're likely to see some in the securities industry voice opposition, as they have in other states, to the "mandatory" reporting provisions.

Would a bill stop financial abuse? No, car alarms don't eliminate auto theft, either.

But encouraging those in the financial services industry to pay more attention to the alarming signs of financial abuse would do more to address what's a serious, often little-discussed issue.

Backers of the Michigan legislation note that Michigan already requires health care workers and law enforcement to report signs of elder abuse. But financial advisers are not required to step forward.

Investment advisers can be on the front lines. So it's increasingly important for bank tellers and advisers to get the necessary training to help customers avoid scams where con artists call, pretend to be from the Internal Revenue Service and demand cash on the spot.

Mark Hornbeck, a spokesperson for AARP Michigan, said the AARP did not initiate the proposed Michigan legislation but AARP is working with leadership to improve it.

"We are offering amendments that would require more training of the financial institution employees to detect fraud and abuse," Hornbeck said.

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Peter A. Lichtenberg, director of the Institute of Gerontology at Wayne State University, said mandatory reporting laws raise awareness about the need for those in the financial services industry to spot potential scams and patterns of financial abuse that target vulnerable older adults.

"Training is so necessary," Lichtenberg said.

Even so, he said some research indicates that mandatory reporting of financial abuse doesn't always lead to an increase in reporting or detection of financial abuse.

After all, those in adult protective services already have heavy caseloads and may not be able to address an issue quickly, he said.

Under the proposed legislation in Michigan, financial advisers would be on a more firm legal footing to take action when they spot signs of fraud. For example, if the firm delays disbursing money from an account because fraud is suspected, the investment adviser would be immune from any administrative or civil liability that might otherwise arise from such delay.

Many banks and financial firms are already attempting to address this issue.

Susan Joseph, Comerica executive vice president in charge of the Financial Intelligence & Corporate Compliance Division in Auburn Hills, said in an e-mailed statement that all Comerica employees are required to complete an e-learning course every year on "Financial Exploitation of the Elderly."

After California enacted guidelines for reporting suspected financial exploitation a number of years ago, she said, Comerica decided that those guidelines would be followed throughout the company.

Comerica also has a dedicated phone line for its employees to call when they believe an elderly person is being financially exploited.

On the state level, several efforts have been under way to protect seniors and their money, too.

Last year, Michigan's Corporations, Securities and Commercial Licensing Bureau held two seminars to help train investment advisers and broker-dealers about how to spot warning signs of financial exploitation.

The bureau, part of the Michigan Department of Licensing and Regulatory Affairs, brought in representatives from the Securities and Exchange Commission, Adult Protective Services, the Michigan State Police and others to offer advice relating to financial fraud.

Linda Cena, examinations manager for the securities and audit division for the licensing bureau, said investment advisers can be in a unique position to spot signs that something's wrong after years of working with a customer.

Maybe the older investor who was conservative for years suddenly is willing to take on high-risk investments. Or maybe they're spending money at a faster pace for no apparent reason.

"They know their clients. You know when things are changing," Cena said.

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