

# Senior Investor Protection

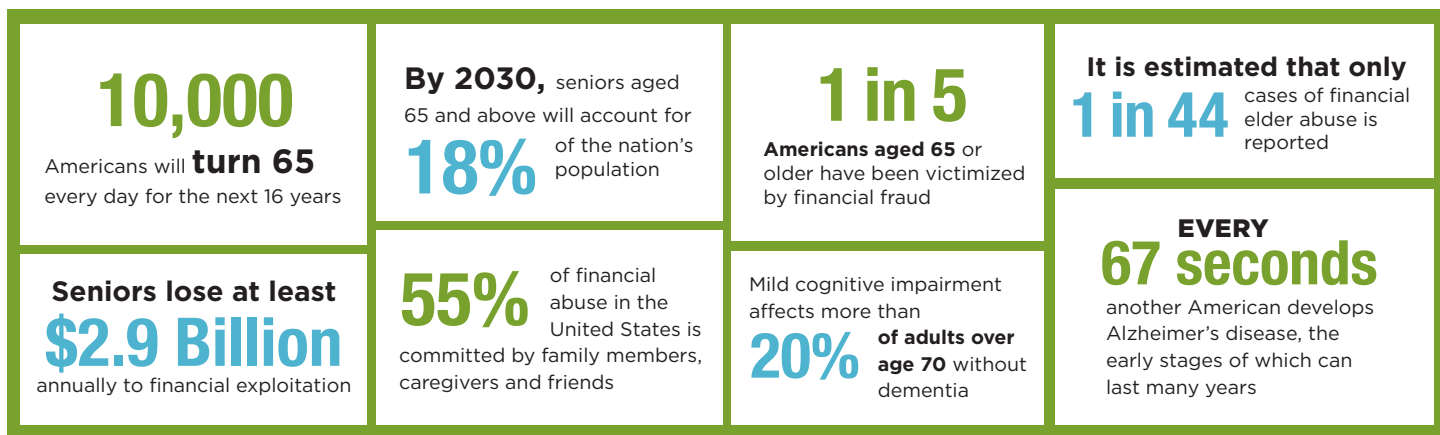
## OVERVIEW

Over the next 10+ years, 10,000 Americans will turn 65 every day – with seniors making up 18% of the nation’s population by 2030. These investors already own a disproportionate share of the nation’s personal wealth, accounting for 77% of financial assets in the United States.

As more investors age into retirement and live longer, and more wealth becomes concentrated in the population of older adults, their risk of exploitation increases, as well as the threats to their financial well-being. Unfortunately, the threat of cognitive decline grows alongside aging investors’ wealth, and recent research has shown that even high-functioning adults can develop this vulnerability as part of the normal aging process.

These circumstances have come together to create a perfect storm of financial exploitation. Currently, roughly 1 in 5 senior investors are victimized by financial fraud, and those investors lose an estimated \$2.9 billion annually in reported cases – however, according to the National Adult Protective Services Association, only 1 in 44 cases of financial abuse is ever reported. Part of the problem is that the majority of financial exploitation is committed by a senior’s family members, caregivers, or friends.

For these reasons – even before the first baby boomers aged into retirement – the financial services industry has been developing tools to combat the scourge of senior financial exploitation and address the concerns of cognitive decline.



## INDUSTRY EFFORTS

SIFMA’s Member Firms have been analyzing senior financial exploitation and cognitive decline and developing diverse, market-leading tools and training to protect its senior clients since the late 2000’s. Firms have developed new processes, provided additional services, and even created new departments in order to protect their clients to the greatest extent possible. While the precise actions a firm has undertaken may depend on their size and business model, the following are a few examples of recent efforts to combat senior financial exploitation:

- **Market-Leading Training.** SIFMA Member Firms have been incorporating routinely updated training on senior investor exploitation into their regular training process for many years, often utilizing gerontologists and other

experts in their development. Through these training sessions, firms disseminate information such as red flags and beneficial practices, and educate employees on the appropriate steps to take when there is a concern of exploitation or cognitive decline.

- **Dedicated, Cross-Firm Units.** SIFMA Member Firms have also created cross-firm units dedicated to senior investor protection. These units are made up of a variety of professionals and serve as a centralized resource for the firm. Often, these units investigate cases of suspected financial exploitation and work with Adult Protective Services, local law enforcement and state securities regulators to protect senior clients, and serve as a resource to advisors handling clients facing cognitive decline.

- **Trusted Contact Forms.** Some firms have found that reaching out to a client's trusted contact when there is suspicious activity to be an effective way of combating senior financial exploitation and directly resolving situations caused by cognitive decline. Therefore, those firms have developed Trusted Contact Forms, which ask clients to provide an "in case of emergency" contact that they may reach out to when there is evidence of fraud or exploitation. While such forms do not work for every business model, where appropriate, they have proven to be effective tools.

## SIFMA EFFORTS

SIFMA has been working with industry members, academics, and state and federal lawmakers to raise awareness of senior financial exploitation and advance policies, practices, rules, regulations, and laws to enhance senior investor protections and address issues created by the rise of cognitive decline. These efforts could help protect hundreds of millions of dollars in assets annually – assets which would allow seniors to continue to care for themselves and maintain their independence in retirement.

### State Legislation

SIFMA has been advocating for state "Report & Hold" legislation, which provides Broker-Dealers with a voluntary reporting pathway to adult protective services and state securities commissioners, and allows firms to temporarily delay suspect transactions to allow time for the state to investigate. As of March 31, 2016, Washington State, Missouri, Delaware and Indiana have enacted such laws. Additionally, on February 1, 2016, NASAA released its model "Act to Protect Vulnerable Adults from Financial Exploitation." SIFMA is currently working with those interested in pursuing this model to implement operationally effective laws in their states.

### Federal Legislation

On October 28, 2015, Sens. Susan Collins (R-ME) and Claire McCaskill (D-MO) introduced the SeniorSafe Act of 2015, which provides legal protections for individuals and financial institutions which communicate with the appropriate agencies when financial exploitation is suspected. The bill also encourages firms to offer employee training on identifying and reporting suspected financial exploitation. A House companion bill was introduced on February 11 by Reps. Kyrsten Sinema (D-Ariz.), Bruce Poliquin (R-Maine), Patrick Murphy (D-Fla.) and Mick Mulvaney (R-S.C.).

## Federal and Regulatory Guidance

SIFMA is also working to secure Federal guidance from regulatory agencies and address a number of issues, including allowing a provider to contact a family member or others reasonably associate with the account owner when there is suspicious activity on the senior investors' account. On December 4, 2015, FINRA posted public comments to Regulatory Notice 15-37 (Financial Exploitation of Seniors and Other Vulnerable Adults). Among other Comment Letters, the posting includes SIFMA's submission, which was put together through the hard work of a SIFMA Drafting Group, which consisted of members from the Senior Investors Working Group and other SIFMA Committees.

### APS Funding

SIFMA supports increased funding for Adult Protective Services, to ensure that Adult Protective Services organizations have the resources and training to respond to financial exploitation cases in addition to physical abuse situations.

### Collaboration with Experts

SIFMA is actively working with scientific and academic experts to raise awareness of senior financial exploitation, identify red flags of exploitation and cognitive decline, and share data, information and resources to develop a stronger understanding of senior investor issues and create better tools to protect aging clients.

### Senior Investors Forum

SIFMA also hosts an annual Senior Investors Forum, which brings together financial advisers, regulators, compliance officers and regulatory attorneys to discuss the innovative practices in place to ensure our aging clients are properly protected. This year, on October 20-21, FINRA and SIFMA will gather these same stakeholders for a joint conference dedicated to advancing efforts to protect our senior investors.

## THE ROAD AHEAD

SIFMA is committed to finding solutions that help protect senior investors from exploitation, fraud, and issues arising from cognitive decline. In 2014, SIFMA formalized its long-standing Senior Investors Working Group, which is now made up of more than 150 senior policy professionals from more than 50 diverse Member Firms. Together, this group is taking aggressive steps to establish innovative and creative ways to protect our senior investors.