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Impact of Fraud upon the Elderly is More Emotional than Financial, According to Survey of CPA Financial Planners

New Survey of AICPA's Personal Financial Planning Section Explores Elder Planning Issues

NEW YORK (June 23, 2015) – Financial fraud against the elderly is on the rise. Almost half of CPA financial planners (47 percent) have seen an increase in elder fraud or abuse in the last 5 years, according to a new survey from the American Institute of CPAs. The AICPA PFP Trends Survey found that falling victim to fraud was vastly more likely to have a substantial emotional impact (37 percent) than a substantial financial impact (5 percent). The survey, which included responses from 266 CPAs, was fielded from May 5-27, 2015.

A contributing factor to the emotional impact of financial fraud or abuse is the how often this situation involves family members. The most common types of elder financial abuse or fraud seen by CPA financial planners over the past five years were phone or internet scams (79 percent), inability to say 'no' to relatives (72 percent) and support for non-disabled adult children (57 percent).

"For elderly individuals, being a victim of financial fraud or abuse can be emotionally devastating. The impact is compounded when the perpetrator is a member of their own family or a friend," said Ted Sarenski, CPA/PFS, and a member of the AICPA's PFP Conference Planning Committee. "One of the unique challenges for CPA financial planners working with elderly clients is balancing their desire to help their family members financially with the need to ensure that they have the means to continue to meet their own expenses."

The survey found that family members are often involved in elder planning meetings, with spouses taking part 77 percent of the time, and adult children 37 percent of the time. Others involved in the process as part of an elder client's "support team" are attorneys (39 percent of the time), trustees (23 percent) and outside investment managers (19 percent) – underscoring the role of the CPA financial planner in coordinating with others.

"In elder care and planning issues, particularly those that involve dementia, the CPA financial planner serves as the quarterback – calling the plays and making sure that everyone involved is playing the role that they are supposed to," said Jean-Luc Bourdon, CPA/PFS, and a member of the AICPA's PFP

Executive Committee. “Whether it is decisions regarding estate planning, long term care or housing, it’s crucial that CPA financial planners coordinate with other professionals employed by their elderly clients.”

One of the most emotional aspects of elder care planning is decisions about housing, including helping elderly clients make the decision to relocate into a continuing care facility. The survey found that CPA financial planners had assisted 15% of their elderly clients with decisions relating to housing options or nursing home due diligence analysis in the last year. Forty-four percent of respondents reported that they’re providing this service for their elderly clients more frequently than they were five years ago. With the U.S. population continuing to age, it is likely that this trend will continue moving forward.

Providing elder planning services requires an approach that combines sophisticated technical expertise with the emotional intelligence to understand a client’s needs. CPA financial planners suggest a number of strategies for safeguarding their elderly clients from financial fraud and abuse and helping to ensure that their assets are protected in their golden years, including:

- Establish a financial plan and review the plan every six months to make sure there are enough assets to match the plan, or if any adjustments need to be made due to changes in care or needs.

- Identify the members of the client’s support team. Include professionals, designees – such as those designated to make medical decisions - and loved ones. Team members should know and be formally authorized to communicate with one another. This helps provide checks and balances, and, since elder financial abuse is often committed by a relative, checks and balances are important.

- Tell clients to use their CPA financial planner as “the bad guy.” Get them in the habit of saying “I run everything by my CPA financial planner; I'll get back to you” before making financial commitments to others. That way they will not be caught off guard by scams or stories aimed to take advantage of them.

- If a client is displaying competency issues or just can't say no to relatives, put their assets in a Revocable Living Trust and assign a co-trustee. Ensure that all checks – or checks over a certain dollar amount - require two signatures. This can reduce any chance of an elderly client giving to unscrupulous people.

To speak with a CPA financial planner or a member of the AICPA’s personal financial planning team about the survey results and elder planning issues, contact James Schiavone at 212-596-6119 or jschiavone@aicpa.org.

Methodology

The AICPA’s PFP Trends Survey is administered as an online survey to CPAs who are members of the AICPA Personal Financial Planning Section, including those holding the CPA/PFS credential.

About the AICPA’s PFP Division

The AICPA's Personal Financial Planning (PFP) Section is the premier provider of information, tools, advocacy, and guidance for CPAs who specialize in providing estate, tax, retirement, risk management, and investment planning advice to individuals, families and business owners. The primary objective of the PFP Section is to support its members by providing resources that enable them to perform valuable PFP services in the highest professional manner.

CPA financial planners are held to the highest standards and are uniquely able to integrate their extensive knowledge of tax and business planning with all areas of personal financial planning to provide objective and comprehensive guidance for their clients. The AICPA offers the Personal Financial Specialist (PFS) credential exclusively to CPAs who have demonstrated their expertise in personal financial planning through testing, experience and learning.

About the AICPA

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 400,000 members in 145 countries, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, and offers specialty credentials for CPAs who concentrate on personal financial planning; forensic accounting; business valuation; and information management and technology assurance. Through a joint venture with the Chartered Institute of Management Accountants (CIMA), it has established the Chartered Global Management Accountant (CGMA) designation which sets a new standard for global recognition of management accounting.

The AICPA maintains offices in New York, Washington, DC, Durham, NC, and Ewing, NJ.

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