

# Financial Literacy for Older Adults



<http://www.albany.edu/aging>

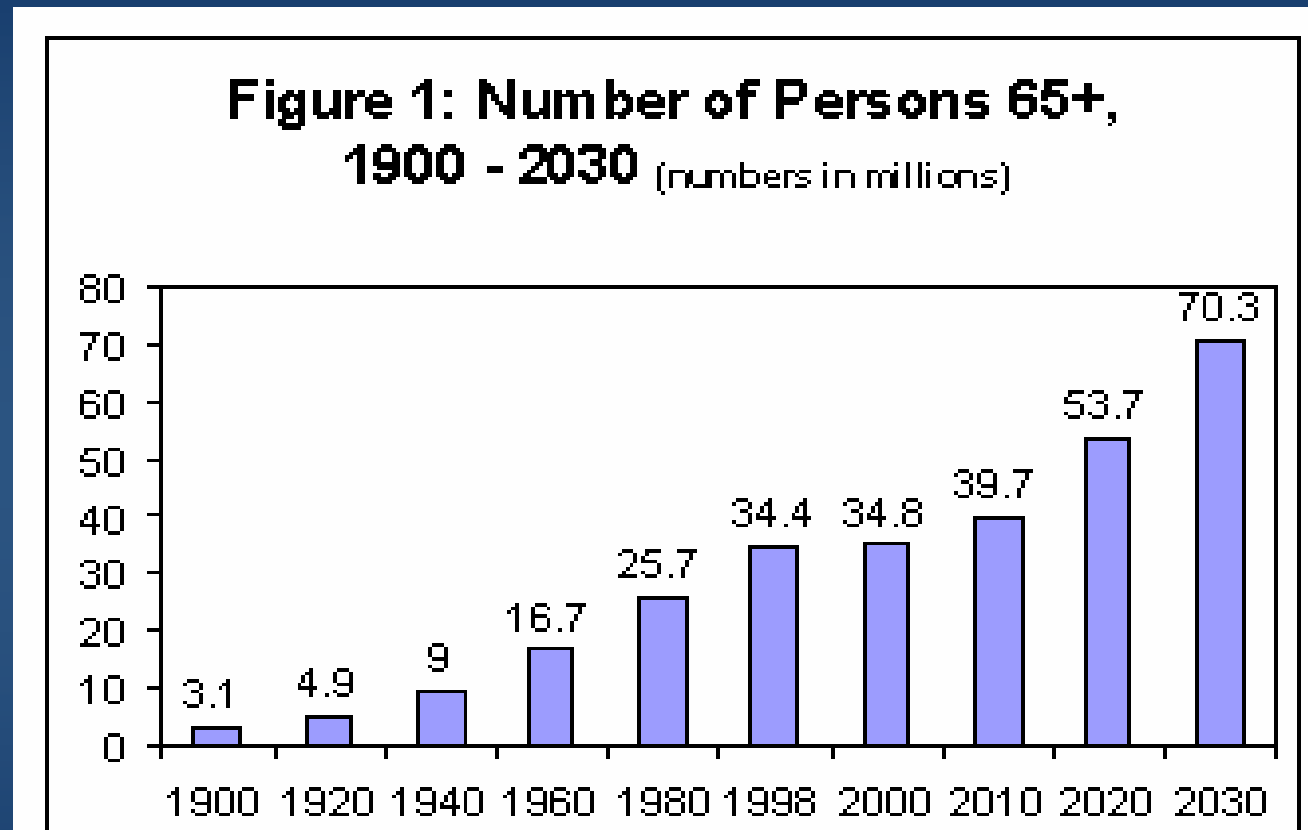
# Overview Goals

- To gain a basic understanding of financial literacy.
- To recognize risk factors for financial exploitation.
- To understand social work roles related to senior financial literacy.

# Wealth, Poverty & Exploitation



# A Profile of Older Americans 2002



Sources: "Projections of the Total Resident Population by 5 Year Age Groups, Race, and Hispanic Origin with Special Age Categories: Middle Series, 1999 to 2000," U.S. Census Internet Release Date: January 13, 2000 with "Population Projections of the United States by Age, Sex, Race and Hispanic Origin: 1995-2050," Current Population Reports, P25-1130. Data for 2000 are from the 2000 Census.

# Overview of Capital Region

	1999** (% living in poverty)	2000 * (population)	2015* (projections)
<b>New York State</b>	<b>11.3</b>	<b>3,204,331</b>	<b>4,030,378</b>
<i>Albany</i>	<i>7.3</i>	<i>53,516</i>	<i>68,038</i>
<i>Rensselaer</i>	<i>6.6</i>	<i>26,521</i>	<i>32,913</i>
<i>Saratoga</i>	<i>5.8</i>	<i>30,528</i>	<i>48,269</i>
<i>Schenectady</i>	<i>6.5</i>	<i>29,955</i>	<i>32,668</i>

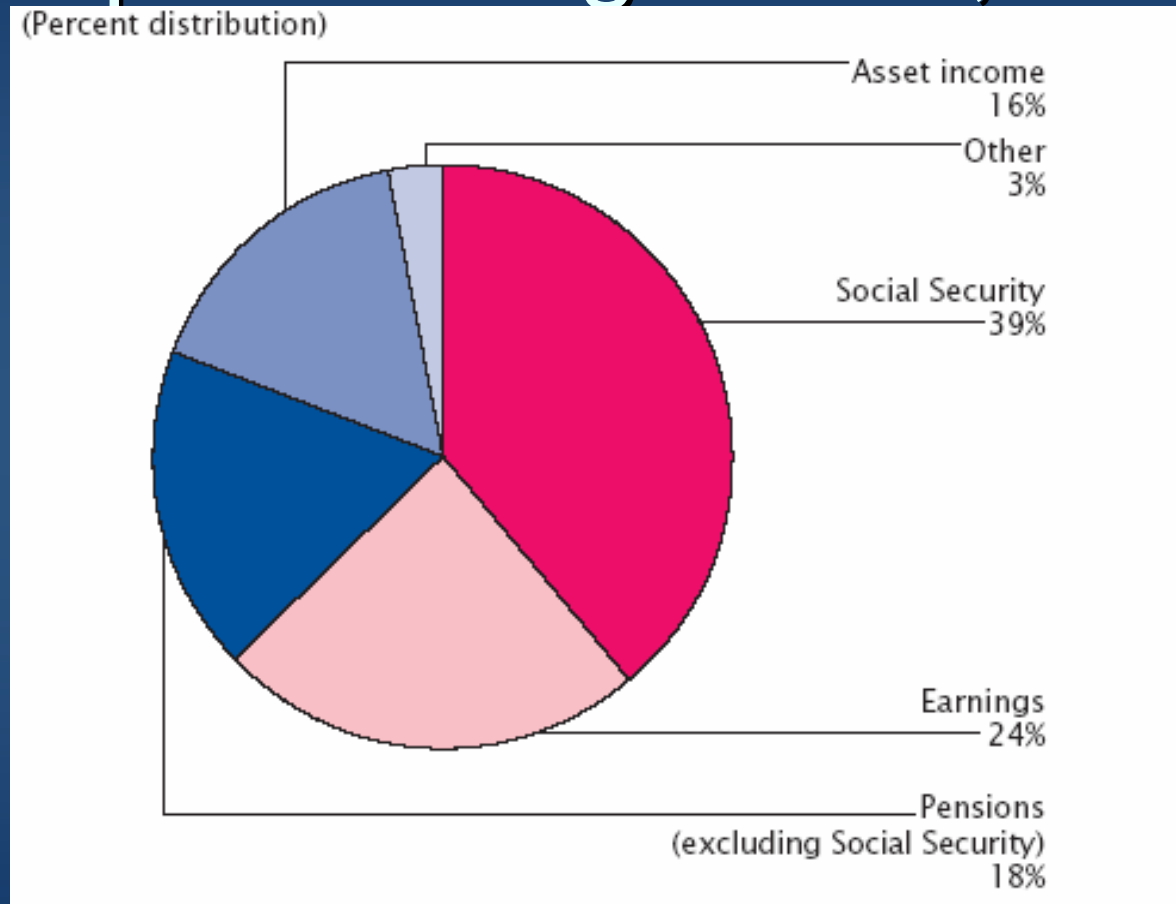
\*Source: Project 2015: New York State Population Characteristics by County, 2002

\*\*Source: U.S. Census Bureau, Income and poverty, 2002

# Financial Challenges

- Financing Retirement
- Paying for Health Care
- Financing Long Term Care Needs

# Personal Money Income for the Population Aged 65+, 2001



Source: Social Security Administration, 2003a, *Income of the Aged Chart book, 2001*, at [http://www.ssa.gov/policy/docs/chartbooks/income\\_aged/2001](http://www.ssa.gov/policy/docs/chartbooks/income_aged/2001).

# Definition of *Financial Literacy*

- The ability to make informed judgments and to take effective actions regarding the current and future use and management of money
  - Understand financial choices
  - Plan for the future
  - Spend wisely and manage
  - Be ready for life events, e.g., job loss or saving for retirement

# Definition of *Financial Exploitation*

- Improper use of an adult's funds, property, or resources by another individual.
- This includes, but is not limited to, fraud, embezzlement, forgery, falsifying records, coerced property transfers, or denial of access to assets.

# Topics for Discussion

- Reverse Mortgages
- Living Trusts
- Long Term Care
- Financial Abuse



# The Three Cs Model

- Consider your options
- Compare it to others
- Consult with someone you trust

# What is Reverse Mortgage?

- A loan against your home that requires no repayment for as long as you live there.
- You generally will not have to pay anything back until you sell your home, move out or die.

# Requirements

- You must own your home, and generally all of the owners must be at least 62 or older.
- You must live a majority of the year in the home.
- The home must be a single family dwelling or a 2-to-4 unit property that is occupied by the owner. Mobile homes and co-ops are not eligible for the reverse mortgage program.

# Before you start

- To obtain such a loan, you must use a licensed lender and get counseling before applying for such a loan.
- Be sure you understand the terms and costs of the loan.
- You have three days to cancel it for any reason without penalty. Cancellation must be in writing.

# What you get

- These loans can be paid to you:
  - in a single lump sum of cash
  - monthly loan advance
  - credit line that lets you decide how much cash to use and when to use it

# Important facts to know

- Reverse Mortgages tend to be more costly than traditional loans because they are rising-debt loans.
- Reverse Mortgages use up all or some of the equity in a home leaving fewer assets for the homeowner and his/her heirs.
- Lenders generally charge origination fees and closing costs, some charge servicing fees.
- Interest on reverse mortgages is not deductible on income tax returns..

- Because homeowners retain title to their home, they remain responsible for property taxes, insurance, utilities, fuel, maintenance, and other expenses.



At the close of the loan, you or your heirs must repay all of your cash advances plus interest. Reputable lenders don't want your house; they want repayment.

# Reporting Possible Fraud

- Unfortunately, there are unscrupulous lenders and others who see the elderly as prime targets for exploitation.
- If you suspect that anyone is violating the law, let the counselor, lender, or loan servicer know. Then, file a complaint with:
  - Your state Attorney General's office or state banking regulatory agency, and
  - The Federal Trade Commission (FTC).  
(See resources.)
- Make sure lender is licensed by a proper regulatory agency.

# Living Trusts

- Your assets are put into the trust during your lifetime and transferred to your beneficiaries when you die
- Allows you to remain in control of those assets during your life time
- Can be revoked or changed

# Living Trusts...

- You can serve as the trustee or select a person or institution to be the trustee
- While you are living, the trustee is generally responsible for managing the property as per your directions

# Advantages

- A Living Trust can help your heirs to avoid \*probate\* because the trust owns the assets, not the deceased  
(\* probate involves appraising the property, paying debts, and distributing the remainder)

# Disadvantages

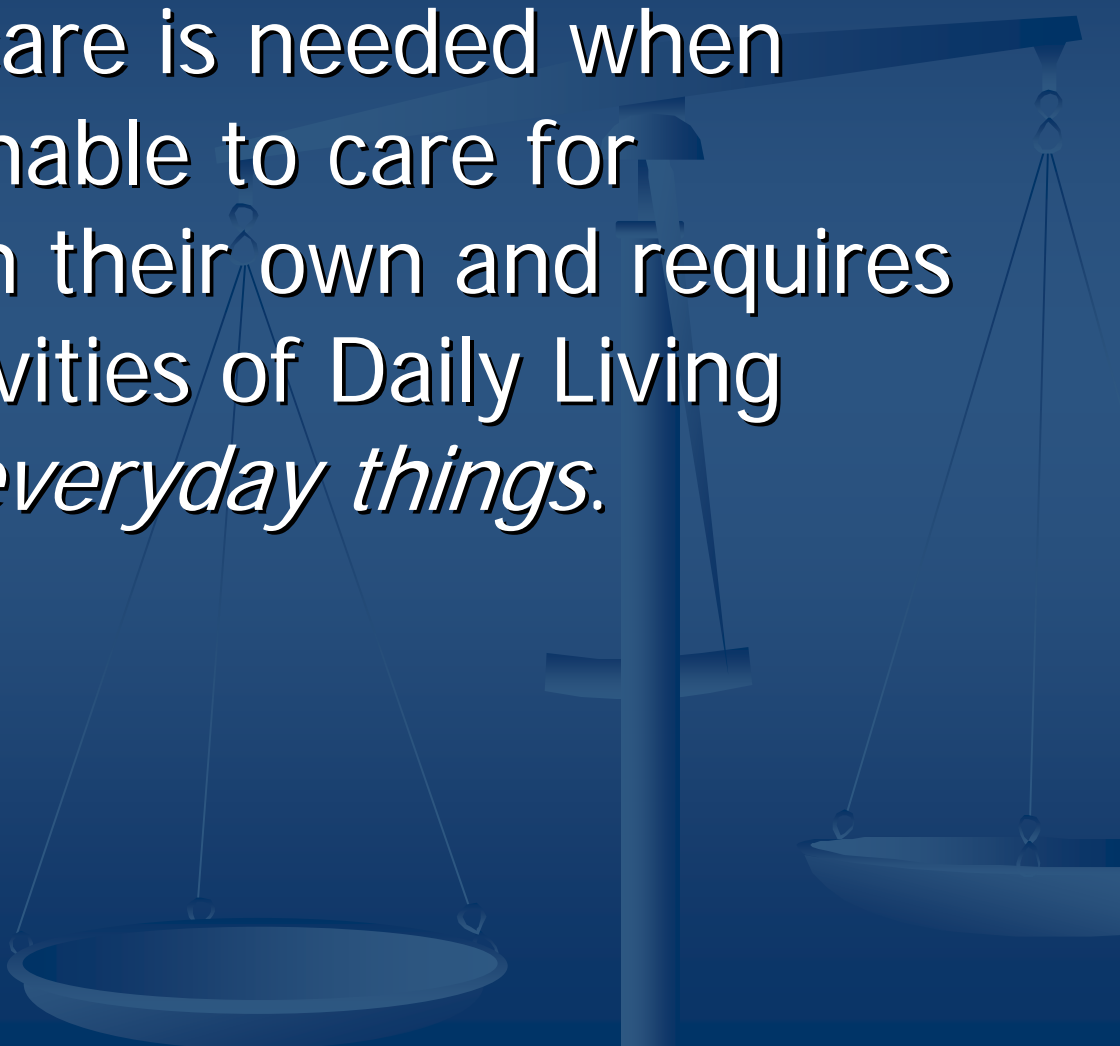
- Takes more time to implement than a standard will
- Cost
- Lack of court supervision
- Tax disadvantages

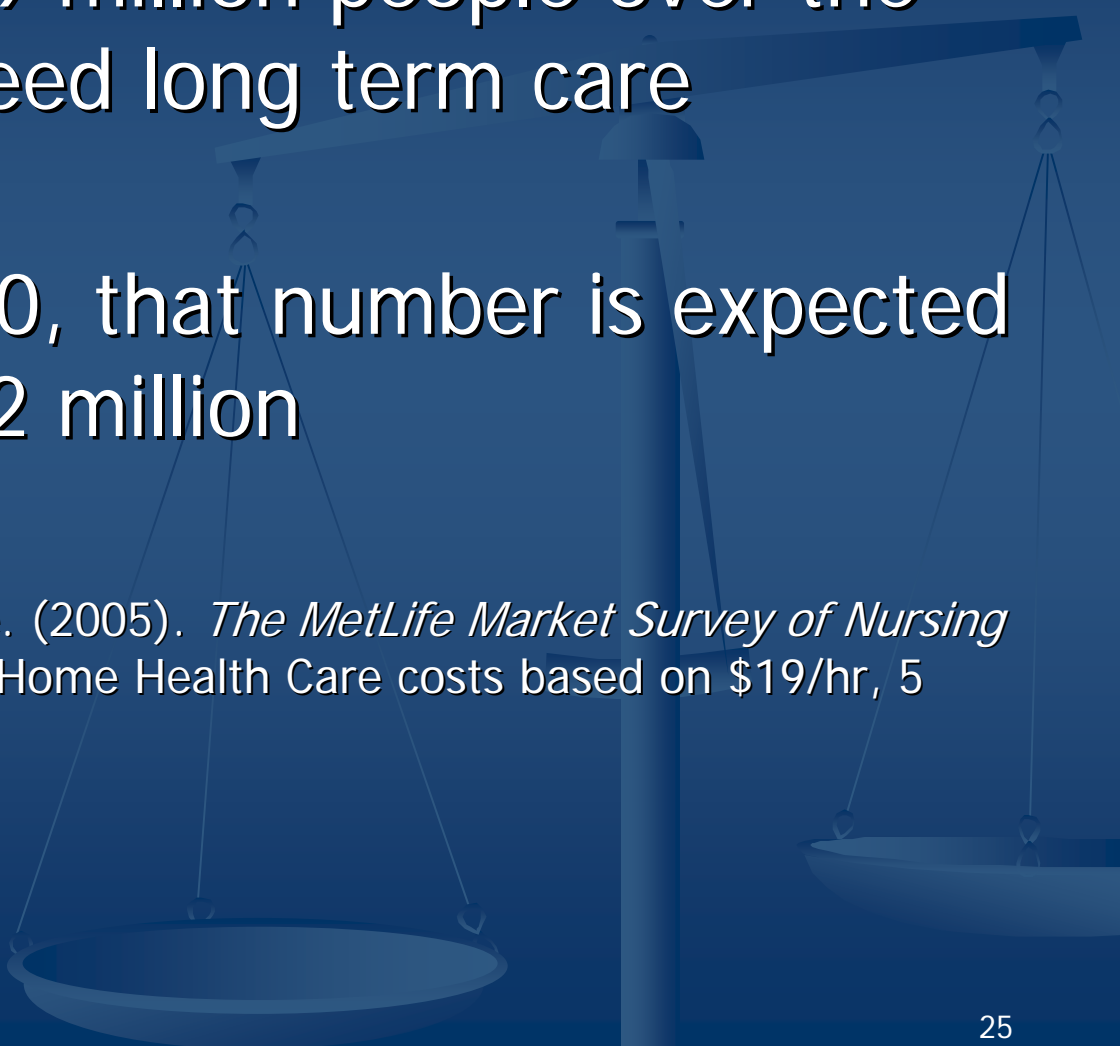
# Before you sign any papers

- Explore all your options with an experienced and licensed estate planning attorney or financial advisor.
- Avoid high-pressure sales tactics and high-speed sales pitches by anyone who is selling estate planning tools or arrangements.
- Make sure attorney or financial advisor is licensed. (see resources)

# What is Long Term Care?

--Long term care is needed when someone is unable to care for themselves on their own and requires help with Activities of Daily Living (ADL's); the *everyday things*.



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- In 2005, about 9 million people over the age of 65 will need long term care services
  - By the year 2020, that number is expected to increase to 12 million

Source: Mature Market Institute. (2005). *The MetLife Market Survey of Nursing Home & Home Care Costs*. (Home Health Care costs based on \$19/hr, 5 hours/day, 5 days a week)

# Long Term Care Services

- Include:

- nursing facilities

- personal care

- respite care

- long term home health care

- home health care

- adult day care

- hospice care

# Cost

- Long term care can be very expensive.
- Upstate NY:
  - *Nursing home care* in 2004 averaged \$238 per day, or between \$86,000 and \$115,000 per year (stay for 2.5 years on average).
  - *Home health care* in 2004 was \$20 per hour, or from \$15,000 to \$21,000 per year (assuming 20 hours of care per week).

Source: NYS. Insurance Department. Basics for long term care insurance.

[www.ins.state.ny.us](http://www.ins.state.ny.us)

# How is Long Term Care paid for in New York State?

- Private pay
- Long-term care insurance benefits
- Medicare, in limited circumstances
- Medicaid, and often...
- A combination of more than one of the above

# What is Long Term Care Insurance?

Special type of insurance that provides a variety of long term care benefits including:

- Hospice Care
- Nursing Home Care
- In-home supportive services

# Long Term Care Insurance

LTC insurance can help you:

- Protect your family from catastrophic costs of long term care
- Retain control of your assets
- Maintain independence

# Factors to consider

- Policies vary widely in coverage and cost
- Consider the following factors:
  - The age, health, overall retirement objectives and financial resources of the proposed insured
  - The financial stability of the insurance company you are considering
  - The benefit “triggers” of the company
  - Insurance Broker licensure status

# Financial Exploitation

- Fraud Complaints from New York Consumers in 2005 = 20,868
- Total Amount Paid Reported by New York Consumers = \$35,851,965 (it is suspected that a substantial number of cases go unreported)

Source: Federal Trade Commission, NY Consumer Sentinel Complaint Figures (1/1/05-12/31/05)

# Top fraud complaints categories for NY Consumers

Rank	Top Categories	Complaints	Percentage
1	Internet Auctions	4,672	22%
2	Shop-at-Home/ Catalog Sales	3,028	15%
3	Foreign Money Offers	2,202	11%
4	Internet Services and Computer Complaints	1,996	10%
5	Prizes/Sweepstakes and Lotteries	1,931	9%

Percentages are based on the total number of fraud complaints from NY Consumers (20,868)  
Source: Federal Trade Commission, NY Consumer Sentinel Complaint Figures (1/1/05-12/31/05)

Financial Crimes Against the Elderly is “Elder Abuse” and should be reported to local and/or state authorities

Financial Fraud committed by strangers

-or-

Financial exploitation by relatives and caregivers

# Definition of Fraud

- Fraud generally involves deliberately deceiving the victim with the promise of goods, services or other benefits that are nonexistent, unnecessary, never intended to be provided, or grossly misrepresented

# Common Frauds Committed by *Strangers*

- Prizes and Sweepstakes
- Investments
- Charity Scams
- Home & Auto Repairs
- Loans & Mortgages
- Health, Funeral, and Life Insurance
- Health Remedies  
"Miracle Cures"
- Travel
- Confidence Games  
"Foreign Lotteries"

# The Weapons of Fraud



AARP Video

# Common Elements of Stranger Fraud

- Gain trust and confidence through charisma and concern
- By establishing authority relationship
- By using names similar to those of well-established organizations
- By creating a sense of scarcity

# Financial Exploitation by *Relatives and Caregivers*

- Unlike strangers, relatives and caregivers often have a relationship of trust with the victim
- When the offender steals, withholds, or otherwise misuses the victims' money, property or valuables for personal advantage or profit; elder abuse is suspected to have occurred

# Methods


- Simply by taking the victim's money, property or valuables
- Borrowing money and not paying it back
- Denying services or medical care to conserve funds
- Giving away or selling the victim's possessions without permission
- Misusing ATM or credit cards, or using them without permission
- Doling out the victim's money to family or friends

# Methods

- Forcing the victim to part with resources or to sign over property
- Obtaining joint status on bank accounts
- Having the victim transfer deed or title of home, real estate or cars
- Give offender "Power of Attorney"
- Have victim make out a Living Trust managed by the offender

# Tactics offenders use include

- Deceit
- Coercion
- Intimidation
- Threats
- Emotional abuse and/or physical abuse
- Empty promises of lifelong care
- Isolation

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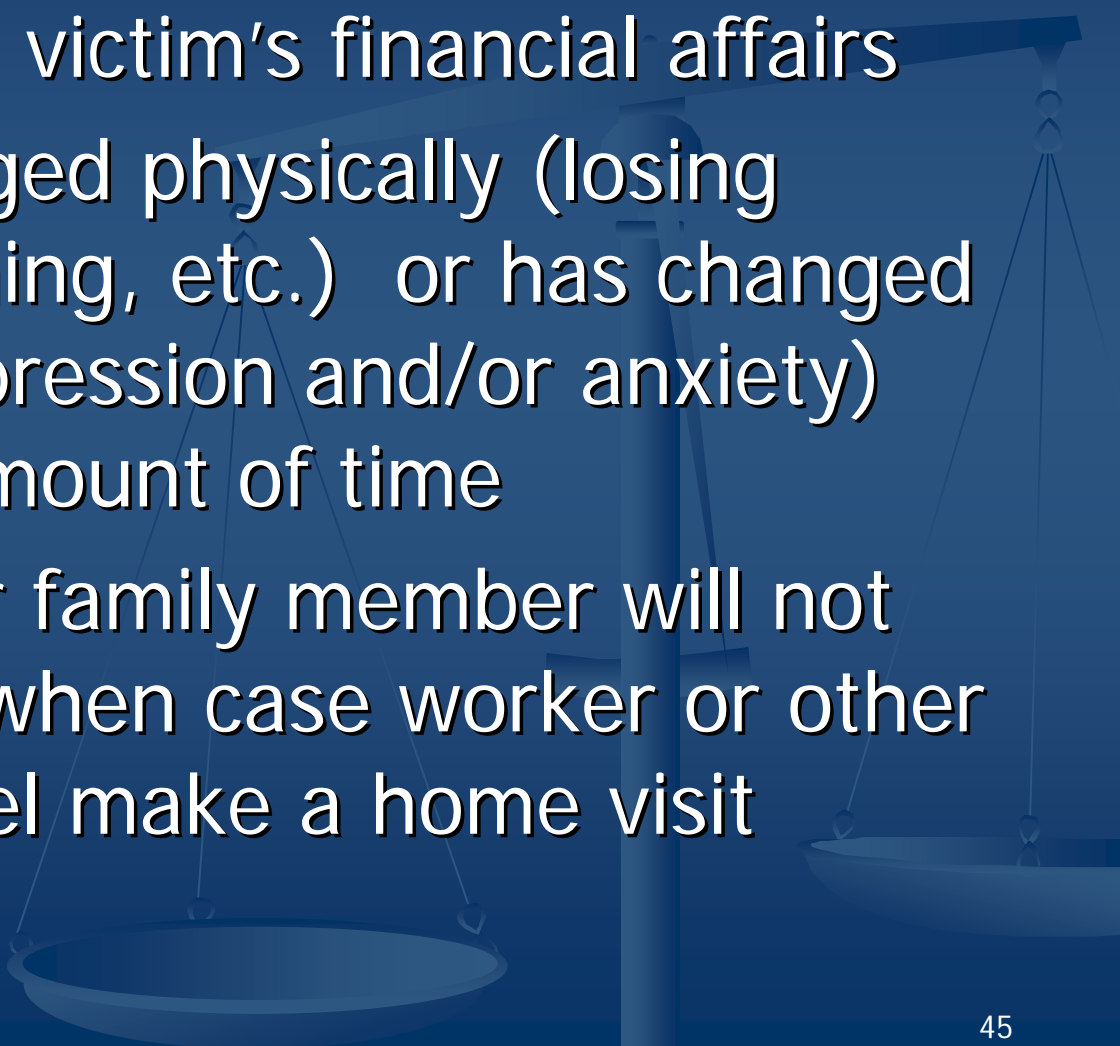
In 2003,  
192,243 cases of alleged elder abuse  
were investigated by APS in 29 states

Out of 192,242 cases  
**14.7%**  
were *Financial Exploitation*

Source: National Center on Elder Abuse, Washington, DC, [www.elderabusecenter.org](http://www.elderabusecenter.org)

# Warning signs of financial abuse...

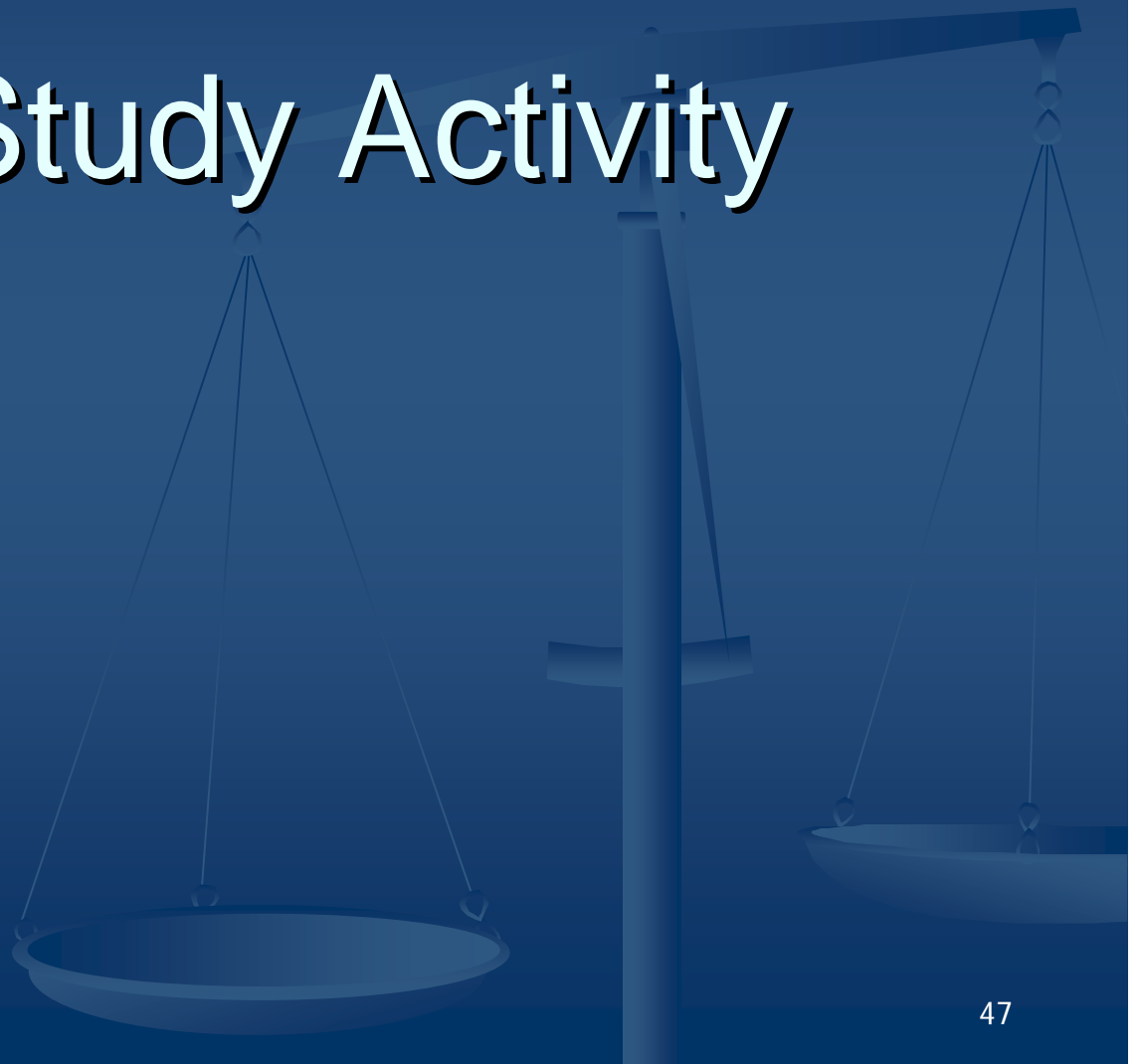
- Stacks of unsolicited mail
- Unusual number of packages
- Excessive numbers of magazines subscriptions
- Many phone calls from telemarketers
- Difficulty covering basic expenses such as food, utilities, etc.
- Numerous cash withdrawals from bank accounts

- 
- Caretaker or family member/s are overly interested in the victim's financial affairs
  - Victim has changed physically (losing weight, not bathing, etc.) or has changed emotionally (depression and/or anxiety) within a short amount of time
  - The caretaker or family member will not leave the room when case worker or other agency personnel make a home visit

# Things you can do to help client

- Sign up client for National Do-Not-Call Registry.
  - Toll Free: 1-888-382-1222 or
  - [www.donotcall.gov](http://www.donotcall.gov)
- Get names and phones off mailing & telemarketing lists (see resources)
- Order their free annual credit report
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Check to see if senior has answering machine and make sure they are using it to screen calls
- Call Protective Services for Adults (1-800-342-3009)

# Case Study Activity



# Questions for discussion:

- What are the signs in this situation that there may be financial exploitation?
- What are alternative explanations for the financial concerns noted?
- What are additional questions about Jean's financial issues you would have asked Ralph and Mary if you were the worker in this case?
- What would have been a better approach to managing Jean's financial affairs?

# Social Worker Roles

- Observer
  - Look, listen, ask questions
- Educator
  - Provide helpful information
  - Discuss and explain, answer questions
  - The 3 C's
- Advocate
  - On behalf of consumers
  - Refer when indicated
  - To systems seeking change
- Reporter
  - Report suspected Elder Abuse to authorities
- Student
  - Continue to seek training
  - Stay on top of changes in relevant laws and regulations

# Questions?



# Presenter Contact Information

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# Thank you!

Please fill out your evaluation forms and return them at the door on your way out.