

Be prepared to avoid financial exploitation

After decades of financial independence, many adults cannot imagine a future in which they can no longer perform daily financial tasks without help. But medical research has linked accelerated cognitive aging, the process by which cognitive abilities decline with age (even in the absence of a disease process) to financial vulnerability.

One of the first signs of cognitive aging is diminished financial capacity: the progressive loss of a person's ability to manage banking and investment decisions. It's estimated that for every 44 cases of senior financial abuse, only one is reported to authorities. According to a 2010 study by nonprofit Investor Protection Trust, 1 in 5 adults over the age of 65 have been a victim of financial fraud or exploitation. It's estimated that victims of financial exploitation lose an average of \$120,000.

A number of different actions may be taken to mitigate the risks of financial fraud and exploitation, but it is critical for planning to begin before the signs of cognitive impairment are apparent.

Here are a number of ideas, depending on whether you are planning for yourself or a loved one.

INDUSTRY INSIGHT



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Financial preparedness

There are a number of steps that you can take to protect yourself from financial exploitation. Designate a trusted emergency contact for all financial accounts to receive information if the institution suspects financial exploitation. Prepare a durable financial power of attorney which appoints a trusted agent to act on your behalf. "Durable" means that it stays in effect even after you have become incapacitated.

Prepare a will or trust to dispose of your property to your intended recipients after your death. Stay informed of the latest financial scams through sources such as the Federal Trade Commission or AARP. Regularly monitor your credit report and utilize

an identity monitoring service to protect your personal information.

Get help in managing your day-to-day finances with a professional bill pay or money manager service or hire a financial professional to regularly review how you are managing your finances. Use a financial account monitoring service to spot suspicious financial transactions in your accounts. Plan how, when and to whom you will transition managing your finances and start the process and involve them early.

Caring for loved ones

Caring for an aging family member is something you hope you can handle when the time comes, but something you probably hope you never have to do. If the time comes, there are a number of steps that can be taken to protect your loved one from financial exploitation.

Prepare a personal data record that includes financial, legal, medical and insurance information, contact information for professional advisers and the location of important records. Use a geriatric care manager or an employee assistance program through work or your health insurance plan for advice. Maintain a financial plan that details income, expenses and net worth.

Utilize tax benefits if you are supporting a parent. If you have a dependent care account at work, you can put pretax dollars

into the account that you can use to pay for some costs associated with caring for a dependent parent. You may be entitled to claim a dependent care credit. In addition, you may be able to file your taxes as head of household and deduct medical expenses you paid for your parent.

Your financial institution's role

Not all financial institutions have approached the issue of safeguarding their customers from financial fraud and exploitation in the same ways, and you need to understand what your institutions are doing. Do they monitor accounts for unusual transactions. What tools do they make available to account holders or caregivers to detect suspicious activity; read-only access to online accounts is normally preferred instead of adding someone as a joint account owner which may facilitate abuse.

Can you designate a trusted emergency contact for the institution to inform if they suspect suspicious behavior or circumstances? Make sure they will accept the power of attorney form or use their form. Determine their policy on reporting suspected financial abuse or exploitation to law enforcement or adult protective services.

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