InvestmentNews

Advisers taking steps to protect elderly

Firms and regulators are putting policies in place to help advisers help seniors

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By **Mark Schoeff Jr.**

There's widespread acceptance in the financial services industry that **elderly financial abuse** is a growing problem, but there's no universally accepted game plan for how to respond.

Many times firms' internal procedures will involve adviser education and training, and gathering third-party contact information for accounts.

The firm that is setting the pace is Wells Fargo Advisors, which began to look into the issue in 2006 after hearing from its financial advisers who were facing challenges with elderly clients.

“Folks were reaching out for help,” said Ron Long, director of regulatory affairs and elder client initiatives at Wells Fargo Advisors, which has about 15,000 financial advisers across the country. “We as a firm decided to take a lead on it.”

In 2010, Wells Fargo Advisors began tracking the number of financial abuse cases against elderly and vulnerable adults, as suspected and reported by its advisers. At the time, they were reporting an average of about 30 a month.

Since then, the volume has soared, in part because the firm has increased its efforts to help advisers detect and prevent exploitation, according to Mr. Long.

“In 2014, we were averaging around 90 to 100 cases a month,” he said. Recently the average monthly volume has climbed to about 200 suspected cases of financial fraud.

Wells Fargo launched an 11-member team more than two years ago within its compliance department that serves as an internal clearinghouse and case manager when advisers see a potential problem with a client.

The unit has taken about 4,000 reports from the field, about half of which were incidences of abuse. Wells' Elder Care Initiatives often involves state adult protective services or securities regulators in the matters.

(More: Lessons advisers have learned on preventing elder financial abuse)

"There is some fire behind the smoke they're seeing out there," Mr. Long said of the firm's advisers. "It's more prevalent than we thought."

Bank of America **Merrill Lynch** is also educating its more than 14,500 advisers on how to prevent and handle cases of elder exploitation.

Michael Liersch, head of behavioral finance and goals-based consulting at Merrill Lynch Wealth Management, urges advisers "to create empathy, and an open dialogue, so everyone understands that we're in this together and the goal is to maintain independence, not take it away."

He tells advisers they should get to know their clients' spouses and children and any trusted individuals in their core social network. Having another person present to talk about any changes in behavior can help advisers identify cognitive decline.

In 2014 Merrill Lynch created a contact authorization form that gives advisers a trusted person to reach out to in case of suspected fraud or to obtain more information about behavioral changes linked to possible exploitation.

WEBSITE FOR REPS

Morgan Stanley has created a website devoted to senior investor issues for its representatives, and implemented a "special protocol for escalation of senior issues to the legal department" and training on spotting elder abuse, said spokeswoman Christine Jockle.

Charles Schwab & Co. has implemented policies and procedures to identify fraud and senior abuse and trains its representatives on how to alert firm officials to potential problems, according to spokeswoman Sarah Bulgatz.

At **Edward Jones**, advisers and other personnel in branch offices are trained to look for indications that an elderly client may be the victim of abuse. If they suspect a problem, they report it to a supervisor in the firm's St. Louis or Tempe, Ariz., offices, where a decision is made on whether to involve regulators or other authorities.

“They're spotting the red flags,” said John Ellis, a principal in field supervision at Edward Jones. “Almost every day, I get situations escalated to me.”

Fidelity Investments offers the approximately 2,800 investment advisers who use its platform a white paper on diminished capacity as well as sessions on elder abuse at seminars. Fidelity also has partnered with a firm called EverSafe, which sells a technology product that aggregates clients' accounts and monitors them for suspicious activity.

“It's an ongoing dialogue with our advisers on best practices,” said Ross Ozer, Fidelity senior vice president for practice management. “We want them to be able to take action.”

Howard Tischler, founder and CEO of EverSafe, said the system gives advisers better insight on the potential threats to their clients than a monthly review of their accounts would.

“Technology may see things that you don't see as an individual,” Mr. Tischler said.

(More: Technology can offer support to advisers with aging clients)

Smaller firms also are responding to the elder-abuse threat. For more than a year, Romano Wealth Management has had in place steps that its nine advisers follow in reporting potential abuse to the compliance officer, who then decides whether to involve adult protective services or regulators.

The approach was developed after the owner, Joseph R.V. Romano, experienced an abuse incident with one of his clients.

“As we grappled with my issue for my client, we modified our procedures accordingly, knowing what was practical,” Mr. Romano said. “You really have to work through these things to put your procedures to the test.”

The disparate ways of addressing elder abuse is one of the biggest challenges for the industry.

“They're all trying various things to see what helps,” said Lisa Bleier, managing director and associate general counsel at the Securities Industry and Financial Markets Association. “What we found in this space, especially, is that different practices work in different business models.”

The industry is starting to get protection from regulators. In February, the Securities and Exchange Commission **approved a Financial Industry Regulatory Authority Inc. rule** designed to curb elder abuse. It requires brokers to make “reasonable efforts” to identify a “trusted contact” for investment accounts. It also permits them to prevent the disbursement of funds from the account and to notify the contact if the broker suspects the client is an abuse victim.

“I would encourage firms to think about whether they have training and escalation procedures, how they deal with instances where they see diminished capacity and to continue to monitor investments for concentration purposes,” said Susan Axelrod, Finra executive vice president.

Finra doesn't have historical data on elder financial fraud. But since it **set up a senior help line in April 2015**, it has opened more than 8,200 cases, referred 550 of them to state, federal and foreign regulators, and made 120 referrals to state social service agencies, according to Finra spokeswoman Michelle Ong. It also has arranged to have $4.3 million returned to customers, she said.

The **SEC included senior protection in its examination priorities** list this year. The agency said it “will evaluate how firms manage their interactions with senior investors, including their ability to identify financial exploitation of seniors.”

In 2016, Alabama, Indiana, Louisiana and Vermont approved a rule — based on a model developed by the North American Securities Administrators

Association — that requires advisers to notify adult protective services, or a similar state agency, and state regulators if they detect abuse. It also offers a safe harbor for reporting suspected abuse and withholding funds.

This year, NASAA anticipates that about **10 more states will act on similar regulation**. Delaware, Missouri and Washington already had elder-abuse measures in place before NASAA proposed its model rule.

On Capitol Hill, Sen. Susan Collins, R-Maine, and Sen. Claire McCaskill, D-Mo., have **reintroduced a bill** that would give financial advisers civil liability protection for reporting senior financial abuse to state regulators and other government agencies.

Mr. Long praised the regulatory activity but noted that firms must sort out what's happening on different governmental levels.

“Directionally, we're going the right way,” he said. “However, how do you keep up with all the variations?”

Several firm officials said that the industry is working well with regulators because both sides have a sense of urgency about tackling the issue. But that doesn't mean that SIFMA necessarily wants to see mandates, even on steps such as gathering trusted contact information.

“It hasn't been out there long enough to know whether or not it's going to work,” Ms. Bleier said. “I want to see how it plays out before anybody requires it.”