

FINANCIAL DECISION MAKING AS WE AGE



AARP ElderWatch
a partnership with the Colorado Attorney General

AARP ELDERWATCH

- 20 year partnership with CO Attorney General's office
- Education and outreach across Colorado
- Volunteer-staffed fraud victim support helpline
- Peer-to-peer financial counseling
- Contact us: **800-222-4444 option 2**

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TODAY

- This is an **interactive workshop**, feel free to ask questions throughout and take notes.
- There are handouts of this presentation, various budgeting plans, and further resources you can feel free to use today and in the future.
- This is ***not financial advice***. Consult with a lawyer/certified financial planner before making any decisions.



CHANGES WITH AGE

- Health/body functions
- Experiences/wisdom
- Moving or downsizing
- Cognitive decline
- What's another change that comes with aging?



COGNITIVE DECLINE

- Difficulty with a person's thinking, memory, concentration, and other brain functions that continues consistently.
- Can happen suddenly or gradually
- Many causes including Alzheimer's and Parkinson's
- Starts to happen on average at about age 54
- Prevention measures include exercise, continued learning, social activities, and a healthy diet.

COGNITIVE DECLINE AND FINANCES

- Signs include:
 - Not paying bills on time
 - Not opening mail
 - Excessive shopping
 - Hoarding
 - Taking longer to read financial information
 - Fraud and scam victimization
- Increased susceptibility to fraud and abuse

HEALTH LITERACY, FINANCIAL LITERACY AND DECISIONS

- Decrease in cognitive function is a significant predictor of a decrease in financial literacy among older Americans
- These drops in cognition are associated with a decline in numeracy and financial knowledge
- Caused by decrease in episodic memory and visuospatial ability (numeracy) and decrease in semantic memory (financial knowledge)
- A decrease in cognition predicts a decrease in general self-confidence but this does not translate over to financial knowledge or financial management
- About half of study participants experiencing cognitive decline were not getting help with finances.

LONLINESS AND FINANCIAL DECISIONS

- More than **42 million** older Americans report feeling lonely
- Epidemic of loneliness that leads to fraud victimization
- Study measured loneliness, cognition and financial/health decision making to determine if loneliness has an impact on decision making capabilities for health/finances
- Older age, more medical conditions, depression, lower education, lower income, and fewer social contacts are associated with lower financial decision making.
- Women scored worse than men on the decision-making measure
- Lonliness and financial decision making were not correlated when looking at the general public
- Lonliness was detrimental to financial decisions made by older adults with low cognition

CONFIDENCE IN FINANCIAL DECISIONS

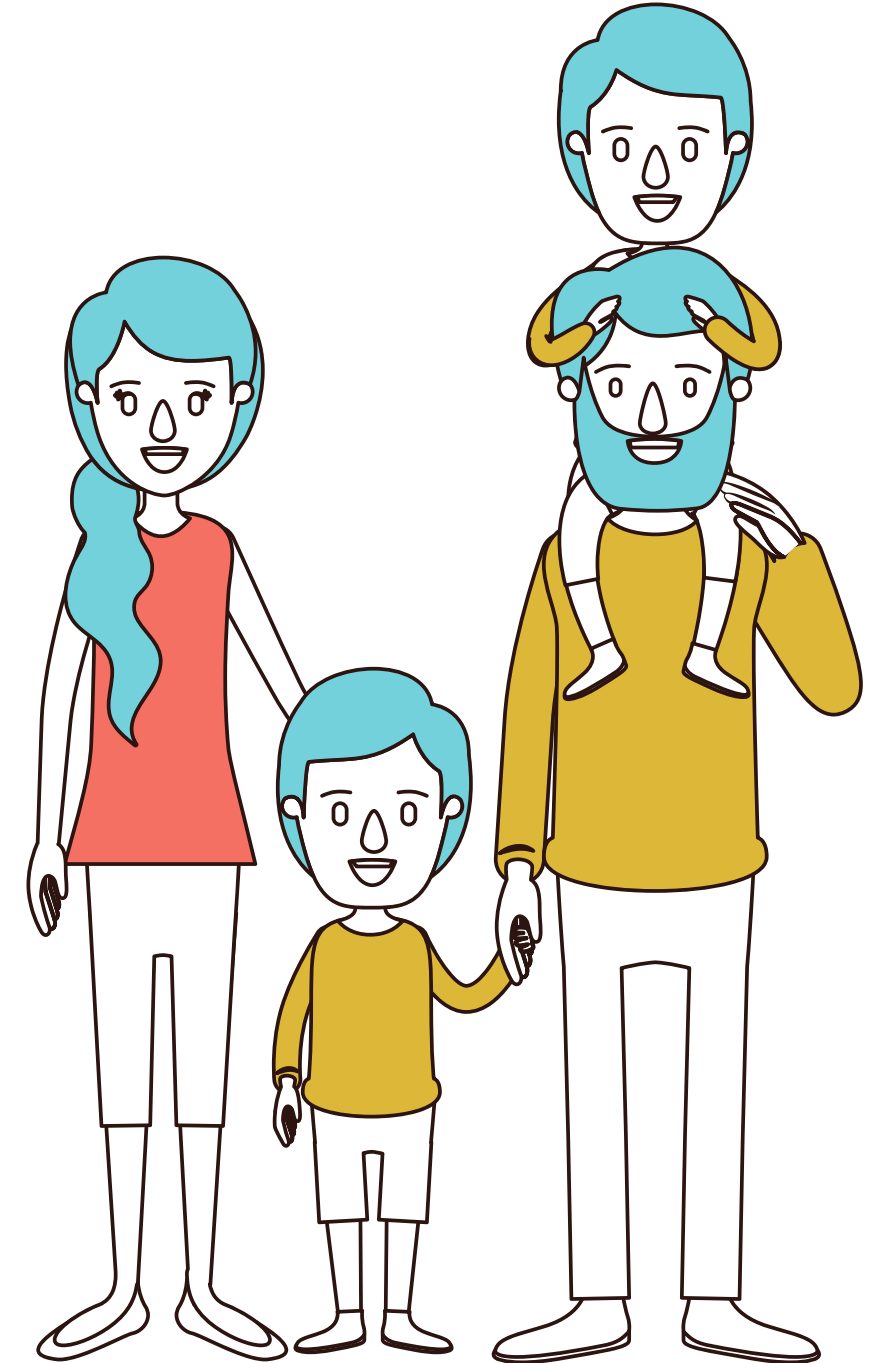
- Confidence in financial literacy is associated with a decreased risk of Alzheimer's and slower decline in cognition.
- Under confidence relative to actual levels of financial literacy in older adults is associated with a greater risk of developing Alzheimer's and faster cognitive decline.
- Older men, in particular, tend to be over confident in making financial decisions especially when related to investments and financial management.
- In the face of setbacks, financially confident older adults are more persistent when meeting goals

SCAM SUSCEPTIBILITY

- Cognitive decline in decision-making as we age, no matter what
- More trusting generation, picks up the phone when it rings
- Older adults have more assets
- Overconfident in beating the market
- Epidemic of social isolation
- In 2020, older Americans were victimized out of more than **\$3 billion** at the hands of scammers

PREPARING YOUR FINANCES FOR AGING

- Try to discuss financial care openly, and long before it's necessary
- Be upfront about income, debts, and expenses
- Find a platform that works for all relevant parties to collaborate on budgeting, savings, and other aspects of financial management
- Create a budget that reflects the contributions all parties involved can make



VULNERABILITIES OF FRAUD VICTIMS

- Men are 19 percent more likely to end up a victim of an investment scam than women.
- People with graduate degrees are more likely to be a victim of a scam.
- Younger people are more likely to be scam victims, however, older adults have more to lose.
- "Emotional hot button" scams such as diet pills, baldness cures, or loan scams
- Repeat victimization seen in romance scams, POA abuses, psychics, home repair, sweepstakes, and overseas payment scams.

PERSUSATION TACTICS SCAMMERS USE

- **Phantom Riches:** scammers use the prospect of wealth to victimize people by promising a big payout or high rate of return at the end.
- **Source Credibility:** scammers appear to be trustworthy and have authority and victimize people using their status.
- **Social Consensus:** if there's high demand for something, it must be good.
- **Reciprocity:** scammers victimize people by promising to return a small favor with a larger one in the end.
- **Scarcity:** fraudsters lead victims to believe the opportunity for something is limited and they must buy now.

THE PSYCHOLOGY OF A SCAM

- Scammers are **good** at what they do
- Ultimate goal of the scammers is to get the targets into a heightened emotional state
- **ETHER:** fear, need, excitement
- Under **ETHER**, we are no longer able to access our logical thinking processes



THE PSYCHOLOGY OF A SCAMMER

- **Narcissism:** a scammer believes the rules do not apply to them
- **Anti-social tendencies** such as sociopathy - no empathy for others
- **Bounded ethically**
- **A scam starts small and grows larger,** scammer is too caught up to leave



BEWARE OF FRAUDS AND SCAMS

- Always check the legitimacy of an email/link about your accounts
- None of these apps/websites are going to call you for information. If you get a call asking for personal information, hang up!
- Don't share bank account information, personal information or passwords with ANYONE. That's YOUR personal information, keep it SAFE.
- Need assistance with the apps? Make sure the company has a customer service line. A lot of new apps do not and all disputes must be done IN THE APP.
- Stranger danger is REAL. Do not send money or personal information to someone you do not know.
- Questions about a fraud or scam? Call AARP ElderWatch at **800-222-4444 #2**

HELPING YOUR LOVED ONE

- Have a conversation with them about how you're worried about their financial security and safety.
- Try to poke holes in the scammer's narrative by reverse image searching photos they've sent, pointing out red flags, and explaining being under the ETHER.
- Attempt to get the victim to cut off ***all contact*** with the scammer
- If your loved one will not listen to you, see if they will listen to a trusted mentor, different friend/family member, Priest/Pastor/Rabbi, police officer, or other third parties.

QUESTIONS?

RESORUCES

- Consumer Financial Protection Bureau Budgeting
- AARP Money: www.aarp.org/money
- AARP ElderWatch: 800-222-4444 option 2
- Stop Fraud Colorado: www.stopfraudcolorado.gov

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