KRONKOSKY CHARITABLE FOUNDATION

RESEARCH BRIEF

MONEY MANAGEMENT FOR THE ELDERLY

SEPTEMBER 2014

In 2013, senior citizens encompassed 14.1% of the United States population. Senior comprised 11.2% of the Texas population and, in most of the Kronkosky Charitable Foundation counties of interest, those over 65 years of age represented even higher percentages of the 2013 general population as shown in the following statistics: 23.9% in Bandera County, 11.0% in Bexar County, 17.0% in Comal County, and 18.4% in Kendall County (U. S. Census Bureau, 2014). By the year 2020 there are expected to be 55 million people over the age of 65 in the United States and that number is projected to be closer to 89 million by the year 2050 (U.S. Administration on Aging, 2013).

Need for Money Management

"People over 50 years of age control at least 70% of the net worth of the nation's households" (Metropolitan Life Insurance Company [MetLife], 2009), but some of those Americans do not manage money wisely. Whether it is because of advanced age, mental illness, or physical disability, older Americans in particular may need extra help handling their personal finances.

Options for seniors struggling to manage their finances are limited but include:

➢ **Friend or relative assistance:**

Many friends and relatives are genuinely concerned with their loved one's well being and are willing and able to help them without financially exploiting or abusing them. Methods of assistance include:

- **Joint Accounts**: can help to manage the finances of the elderly by having access to their bank accounts (NOLO.com, 2014b).
- **Durable Financial Power of Attorney:** allows the senior to relegate financial control to a relative or friend. The friend or relative handles all financial assets and financial decisions, but does not make other decisions (such as medical) on the senior's behalf (NOLO.com, 2014a).
- **Living Trust:** trustee manages the money and/or property in the best interests of the senior (American Bar Association, 2014).

➢ **Guardianship**

If a person is found to be incapable of making sound decisions for him/herself, a guardian may be appointed in a court of law. "A guardian is a court-appointed person or entity (such as a state agency) that makes decisions on behalf of an incapacitated person" (Texas Department of Aging and Disability Services, 2014).

Oversight of guardianships falls to the courts and differs from state to state. Generally, there are established procedures to ensure due process protections before a guardian is appointed, as well as reporting requirements to ensure the guardian is acting in the best interest of the ward (Karp & Wood, 2008). In Texas, there were 3,785 new adult guardianship cases filed between September 2012 and August 2013 (Office of Court Administration, 2014, p. 64).

While offering needed protection, guardianships also remove fundamental rights. Too often, the measure of guardianship is taken against elderly people solely because they cannot manage their money effectively. This measure would be inappropriate for anyone experiencing only financial management problems, but is a viable option for elders who can no longer care for themselves and do not wish to be institutionalized.

- **Professional Daily Money Manager (DMM)**

A DMM is someone who is hired for a fee to handle the financial affairs of others. According to the American Association of Daily Money Managers (AADMM) (n.d.), "most DMMs charge for their services on an hourly basis, with rates varying with geographic areas" making this an option for middle to high income elders. DMMs vary in the services provided. Roles may include:

- Educator – teach money management skills
- Advocate – inform clients of benefits and services available
- Debt manager – negotiate with creditors
- Bill payers – assist client with bill paying activities
- Paying agent – receive client's funds and pay bills directly
- Representative Payee – appointed by issuing agency, the Social Security Administration for example, to receive and distribute funds for the beneficiary
- Attorneys-in-fact – granted power of attorney to act for the client

(National Center on Elder Abuse [NCEA], 2003)

As with any service, hiring a DMM requires making sound judgments in the selection process. Elderly people who are not capable of managing their own finances are usually equally incapable of being vigilant when choosing a DMM. The options discussed thus far, while perfectly suitable for some elders, exclude a growing number of seniors who have no living relatives, who have relatives unwilling or unable to help, or who are on a low or fixed income.

- **AARP's Money Management Program**

The AARP Money Management Program assisted low-income adults for more than 30 years. The framework for money management programs provided by AARP to local organizations has worked so well that the AARP no longer needs to host a national program. "Although Money Management Program services will continue to be provided through local host organizations and dedicated volunteers, AARP Foundation discontinued its involvement as of Dec. 31, 2013" (AARP, 2014). The program was dedicated to helping older people manage their money when they had no assistance from friends or family. The service is completely free of charge to the client, runs on volunteer time, and in funded by state governments and local charities wherever the program is implemented. It has provided many low income elders who lack other resources the opportunity to maintain their independence (AARP, 2014).

This program, though now run through local agencies, involves two methods of aid designed to help two different types of people:

1. **Bill Payer Program:** assists people who are capable of making their own financial decisions, but may not be able to take care of the logistics of managing their own finances (paying bills on time, making trips to the bank, or using technologies such as direct deposit and automatic bill paying services online). Bill payer volunteers do not have the authority to sign checks but they may write them out in advance for the client to sign.
2. **Representative Payee Program:** designed to help those people with greater needs who also receive Social Security checks. These clients usually cannot manage their own finances and need to be assisted in making daily monetary choices (bill paying, budgeting, writing and authorizing checks, banking, etc.). One special requirement of the Representative Payee volunteers is that they must apply through and be approved by the Social Security Administration in order to receive their client's Social Security checks. These volunteers are then authorized to receive and deposit Social Security checks and sign the personal checks of the clients.

(Family Elder Care, n.d.)

Local Program: Catholic Charities, Archdiocese of San Antonio (Bexar County)

- Manage programs on a local level
- Develop local policies using AARP's money management program template
- Train and supervise volunteers
- Monitor client accounts

(Catholic Charities, Archdiocese of San Antonio, n.d.)

Financial Exploitation of Senior Citizens

While the various options described above exist to assist seniors with money management, it is important to note that seniors are more susceptible to financial abuse, sometimes even from those very sources and people meant to help them. “Elder financial abuse is the illegal taking, misuse, or concealment of funds, property, or assets of a vulnerable elder at risk for harm by another due to changes in physical functioning, mental functioning, or both” (MetLife, 2009). Financial abuse occurs in a variety of modes including frauds, identity theft, predatory lending, illegal life insurance settlements, abuse of power by guardians and attorneys, phone and internet scams, and Medicare and Medicaid fraud to a name a few.

A study published in 2011 (MetLife) estimated that seniors lose more than $2.9 billion annually due to financial abuse schemes, up 12% from a 2008 estimate. For every reported incidence of financial abuse, there is an estimated four to five cases that are not reported. Investigated reports of financial exploitation comprise between 20 and 30 percent of all elder abuse investigations (MetLife, 2009). The Texas Department of Family and Protective Services (2013) reported 1,045 validated cases of financial exploitation in Texas during 2013.

Research depicts the most common victim of financial exploitation as a female between the ages of 80 and 89 who lives alone and needs some level of assistance. The perpetrators of financial exploitation are most commonly strangers, at 51%, followed by family, friends, and/or neighbors at 34%. The lower prevalence of family/friend/neighbor exploitation may be due to shame and fear expressed by elders, who end up not reporting the crime (MetLife, 2011). The table below breaks down the types of perpetrators from cases examined during a three month period in 2010.

Relationship of Perpetrators to Seniors Experiencing Financial Exploitation

Perpetrator	**%**
Phone Scam	14
Other Con/Scam	14
Home Caregiver	12
Crime (no scam)	12
Home Repair	10
Family	9
Friend/Neighbor	6
Nursing Home Administration	6
Trusted Professional	6
Befriended	5
Institutional Caregiver	5

*percentages are rounded and do not equal 100%
(MetLife, 2011)

Money management programs are designed to help senior citizens maintain independence, while reducing risk of neglect and exploitation, and serve as an alternative to conservatorships. Because of the risk of exploitation, unnecessary guardianship placements, and the unavailability of younger relatives to help, daily money management programs may be the best way for future generations to protect and ensure the independence of the elderly.

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