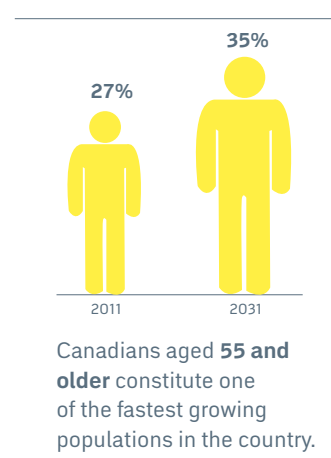


Protecting Investors from Financial Exploitation

Canadians aged 55 and older constitute one of the fastest growing populations in the country, projected to rise from 27 per cent of the adult population in 2011 to 35 per cent in 2031 (Statistics Canada 2010a). Sadly, this aging demographic means financial advisors will see more cases of financial exploitation among their older clients. Statistics for Canada are scarce, but according to the United States Department of Justice, 20 to 40 per cent of all elder abuse cases involve financial exploitation.

As a financial advisor or planner, you may be the first to observe signs of financial exploitation. Here are some things you can do to prepare, and signs to watch for.



Preparing the ground

- ✓ Talk to your clients early and often about how they would want you to proceed should you become concerned that they may be a victim of financial exploitation – and document the discussions.
- ✓ Make a habit of observing and regularly noting your client's level of engagement, their decision-making style, overall investing personality, and key outside influencers.
- ✓ Encourage clients to appoint a power of attorney (preferably notarized) and ensure that it is kept up-to-date.
- ✓ Alternatively, have your client appoint a trusted contact with no power over the account – someone you are authorized to speak with should you become concerned about the client's welfare. Document this information and confirm it regularly with your client.
- ✓ If your client has appointed a power of attorney or trusted contact, ask your client to introduce them to you.
- ✓ Talk to your clients about financial obligations they've taken on for others, such as loans or mortgage guarantees for relatives.
- ✓ Understand the relationships your clients have with other professionals, such as a lawyer or accountant, as well as family members. Who are the people your client seeks advice from?
- ✓ Ask clients whether there are any trust issues with family members or others, such as estrangement or a history of financial exploitation?

Signs to watch for

Here are some signs to watch for:

- Sudden reluctance to discuss financial matters.
- Deference to a previously uninvolved party.
- Sudden appearance of someone previously uninvolved presenting a power of attorney.
- Instructions inconsistent with, and potentially detrimental to, an agreed-upon financial plan.
- Unusual transfers of funds.
- Out-of-character instructions that would result in the generation of one large amount or several small amounts of cash for no apparent reason.
- Sudden lack of response to efforts to contact them.
- Abrupt unexplained changes to a power of attorney, will or trusted contact.
- Increasing isolation from family or friends.
- Signs of physical neglect or abuse.

What to do

- Remember and respect who your client is: the account holder is still the ultimate authority, even when a power of attorney is in force.
- If you have concerns, ask another staff member to sit in on the discussion to take notes so that you can be fully present in the conversation while maintaining good documentation.
- Where feasible, let your client know your concerns and that you are required by your firm to discuss them with your supervisor.
- Report any suspicion of financial abuse, no matter how small, to your supervisor and follow your firm's internal procedures.
- Regulatory and privacy rules can be complex. If you are uncertain, discuss any question with your supervisor or other expert before contacting a power of attorney or trusted contact or taking any other action.

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