Financial isolation: An unintended side effect of seniors staying home

by Kevin Hogan, LinkedIn

In March, we began to see the devastating effects of COVID-19 on our nation's seniors. Guidance from the CDC urged older Americans to limit exposure to others. Fear of outsized health consequences led senior living facilities nationwide to close their doors to visitors. Adult children and grandchildren concerned about passing the virus have had to forgo seeing their loved ones in person.

These actions, while essential to preserving seniors' physical health, have sequestered older Americans, leaving too many isolated and vulnerable.

The physical and emotional consequences of senior isolation are well-documented. But I'd like to draw attention to another unintended side effect of social distancing in the COVID-19 era: senior financial isolation.

The current climate has only amplified this risk, which was already at play before the pandemic. Last year the AIG Plan for 100 Elder Financial Abuse Survey found that one in two seniors aged 65 or older handled their money entirely alone, leaving themselves more susceptible to scams and financial exploitation.

Senior financial isolation can be damaging—but collectively, we can build a system of checks and balances before an issue arises, by educating seniors to:

1. **Appoint a trusted advocate:** Research shows that many Americans face cognitive decline as they age. This can lead to out-of-character financial decision making, from forgetting to pay utility bills to falling victim to fraud. We all want to maintain our independence as long as we can, but simple precautions, such as naming a trusted contact and putting into place joint Powers of Attorney can help safeguard senior assets and preserve retirement income. The key is to take these steps before an issue arises.
2. **Involve loved ones to spot vulnerabilities:** Elder financial abuse is a pervasive and expensive problem estimated to rob America's elderly of billions per year. By virtually visiting with loved ones and staying engaged in their lives (albeit at a distance), family members are often able to recognize warning signs of vulnerability, such as withdrawal or forgetfulness. They may also be able to assist with reconciling account statements and finding local resources. Loved ones can also help keep seniors informed about prevalent scams, such as COVID-19-related scams offering fraudulent tests and cures or soliciting donations. Educating seniors about these scams is especially important in this climate, since when we're feeling lonely or scared, we're more likely to stay on the phone with a stranger or click on a link touting a treatment.
3. **Engage a financial professional to help prevent exploitation:** Sadly, seniors are most likely to be taken advantage of by those they know. A financial professional can serve as a final line of defense in catching these instances of financial exploitation. Advisors can notice uncharacteristic financial behavior in their clients, and help to flag, investigate and prevent suspected financial coercion and manipulation from family, friends or caregivers. This is one of many reasons it is critical that advisors pick up the phone to call their older clients during this challenging time. Recent research conducted by MIT AgeLab sponsored by AIG Life & Retirement found that just 24% of Americans ages 61-75 had discussed COVID-19 with their financial advisor.

To keep our loved ones safe from COVID-19, we may not be able to be physically together. Nonetheless, the cure to senior financial isolation is within our control. Seniors themselves, family members, financial professionals, financial institutions and government all have a role in helping this population remain physically healthy and financially secure during this challenging time.

1 Finke, Howe and Huston, "Old age and the decline in financial literacy." Management Science, 2016.

2 https://www.bloomberg.com/news/features/2018-05-03/america-s-elderly-are-losing-37-billion-a-year-to-fraud