

April 28, 2015

# Retirement Security and Dementia:

Consumer Financial Protection Bureau  
Office for Older Americans

Advisory Council on Alzheimer's  
Research, Care and Services  
Washington, DC



## Disclaimer

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*This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter's own and may not represent the Bureau's views.*



## Office for Older Americans

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Together with other divisions of the CFPB,  
helps older consumers

- Prevent unfair, deceptive and abusive practices aimed at seniors
- Make sound financial decisions as they age

The only office in the federal government  
specifically dedicated to the financial well-being  
of seniors



## Older Consumers in the Marketplace

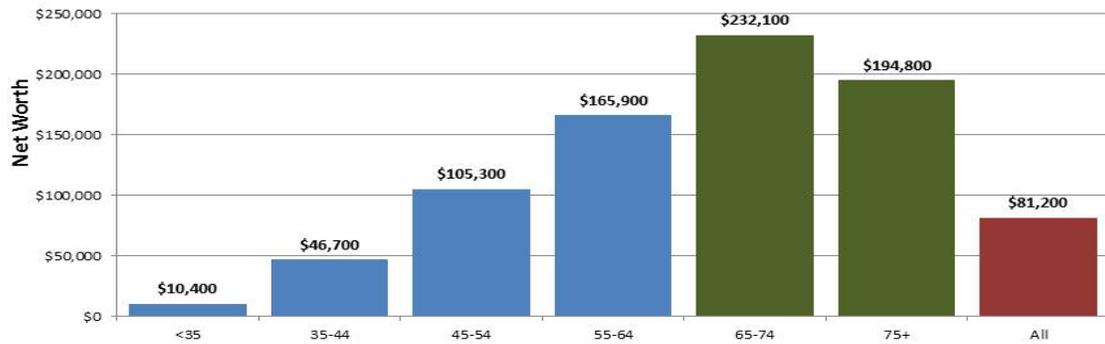
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- A growing population, living longer, and facing a number of challenges as they age.
- Increasing threat of financial exploitation.
- A shifting retirement landscape that places greater decision-making responsibility on consumers.
- Cognitive impairment adds need for financial caregivers.



# Net Worth

Net Worth of Families by Age, 2013



Source: Federal Reserve Board, 2013 Survey of Consumer Finances. Available online at: <http://www.federalreserve.gov/econresdata/scf/files/BulletinCharts.pdf>



# Savings and Assets

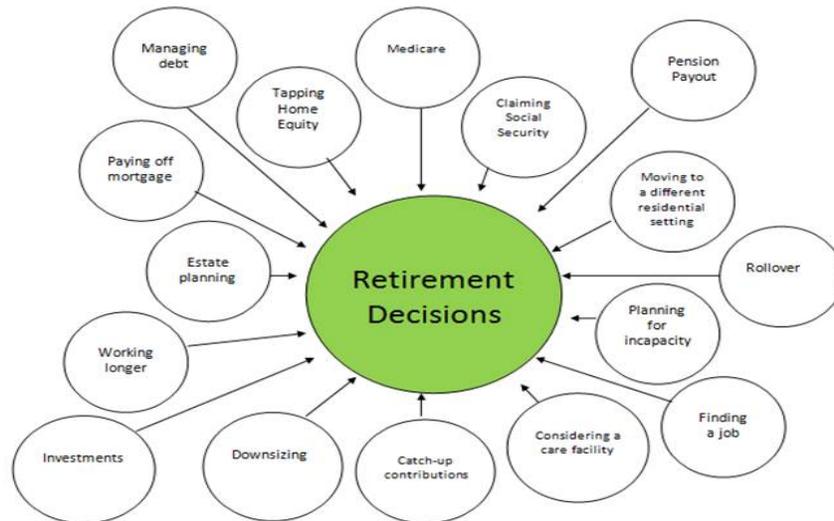
	financial assets (excluding home and other property)		retirement accounts		Vehicle(s)		primary home	
	% with assets	Median value	% with accounts	Median value	% with assets	Median value	% with homes	Median value
<b>65-74</b>	97.4%	\$72,000	48.0%	\$148,900	89.4%	\$16,400	85.8%	\$175,000
<b>75+</b>	96.9%	\$28,000	29.0%	\$69,500	76.0%	\$10,500	80.2%	\$145,000

Source: Federal Reserve Board, 2013 Survey of Consumer Finances. Available online at: <http://www.federalreserve.gov/econresdata/scf/files/BulletinCharts.pdf>



## Decisions, decisions...

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## CFPB Initiatives

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- Educating financial caregivers about their fiduciary duties
- Educating older consumers and other stakeholders about senior financial adviser designations.
- Alerting older consumers about managing debt, pension advances, reverse mortgages and other financial decisions.

## Helping financial caregivers

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### **Managing Someone Else's Money** a set of guides for:

- Agents under power of attorney
- Guardians of property  
Trustees under revocable living trusts
- Social Security representative payees and VA fiduciaries.

## Managing Someone Else's Money

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- Four duties:
  - Act in the person's best interest
  - Manage the money carefully
  - Keep the money separate
  - Keep good records
- Watch out for financial exploitation and scams
- Where to go for help

## CFPB Initiatives

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## Senior certifications and designations

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Report on senior certifications and designations for financial advisers to Congress, SEC\*

April 2013

\*CFPB was mandated under Dodd Frank Act to make recommendations to Congress and the SEC

## Confusing Marketplace

**APA ARPC CEPS CEBS CPC CRA CRC CRFA CRPS CRSP CSA  
CSC CSFP CASL CRPS CRPC CSFP CRO DRP ECS MCRS QPA  
QPFC REBC RIS RIC RA RFC RPC RPA RS SBC SFP**

Senior Pension Consultant • Senior Markets Manager • Senior Investment Executive • Senior Financial Advisor • Senior Benefits Consultant • Retirement Planning Specialist • Retirement Advisor • Retirement and Investment Consultant • Retirement and Estate Planning Consultant • Personal Retirement Planning Specialist • Elder Care Specialist • Director of Retirement Plans • Chief Retirement Officer

## Educating Consumers

### CONOZCA A SU ASESOR FINANCIERO

- Remember with caution**
- 1 Antes de confiar en un asesor?
  - 2 No todos los títulos o credenciales parecen iguales, pero no todos los asesores son los mismos.
  - 3 Tenge cuidado con argumentos

**¿Es su asesor realmente?**

¡Muchos asesores financieros se hacen llamar expertos en asuntos de jubilación o de planes para ganar su confianza, pero muchos no incluyen información en sus materiales de marketing que sea necesaria.

Los agentes de seguros, los asesores de bolsa, los planificadores financieros y los profesionales financieros a veces usan títulos como "asesor de jubilación" o "asesor de inversiones" que no están relacionados con la asesoría y certificación conexas en el

### KNOW YOUR FINANCIAL ADVISER

**Remember with caution**

- 1 Before you trust a financial adviser, check the person's background.
- 2 Not all titles or credentials for retirement or senior financial planning are the same.
- 3 Watch out for sales pitches disguised as "educational" seminars.

**Is your adviser really an expert in your needs?**

Many financial advisers call themselves senior experts to gain your trust, but not all have your best interests at heart or the right kind of training to serve you well.

Insurance agents, brokers, financial planners, and other financial professionals sometimes have titles like "retirement adviser" and "senior specialist." There are dozens of unimpeachable titles that might sound like senior credentials. However, special titles don't always mean someone is qualified to help you manage your money. It's up to you to find out what the titles mean, and to check on the qualifications of the person offering you advice.

**Important questions**

Does the title or certification your adviser uses require college-level coursework?

- Yes  That's good. Senior experts train in complex topics like estate planning, income tax laws, and investments.
- No  It can be harder to know if your adviser was well-trained.

*Know your  
financial  
adviser*  
consumer guide

## CFPB Initiatives

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## Protecting older consumers

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- Older Americans blog at <http://www.consumerfinance.gov/blog/category/older-americans/>
  - Consumer advisory: 3 pension advance traps to avoid
  - Consumer advisory: Three steps you should take if you have a reverse mortgage
  - Four things older Americans can do about debt collection

# Contact

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## Retirement Security and Dementia Panel

Carolyn McClanahan

## Important Background

- The game changed for retirement safety in the 80's
  - Move from Defined Benefit to Defined Contribution Plans
  - Lack of financial education to deal with a new paradigm
  - Investment professionals
    - Rewarded for selling products
    - Paid for managing money
    - Not providing the true planning needed for this scenario

## Important Background

- Over half of elderly with cognitive decline get NO HELP with finances outside of their spouse
- Unintended result – we have a crisis
  - Baby Boomers left to fend for themselves
  - Many will lose the cognitive ability to do so
  - And the incentives in the investment industry are not aligned to help them with this problem

# Individual Recommendations

## Simplify Day to Day Finances

- Minimize the number and types of accounts
  - One checking account
  - One savings account
  - One retirement plan account
  - One taxable investment account
  - Two credit cards

## Automate Income and Outflows

- Auto-deposit
  - Social Security
  - Pensions (if any)
  - A monthly “paycheck” from investment account
- Auto-pay
  - As many bills as possible using one credit card paid off monthly

## Structure Investments Appropriately

- Simplify Investments
  - Retirement is the time to protect your money, not beat the market
  - Create an investment policy statement
- Consider annuitizing some investments
  - IMMEDIATE FIXED ANNUITIES
  - Creates an income stream for life
  - Simplifies income planning

## Arrange Financial Caretakers

- Identify future financial caretakers
  - Consider a joint account holder on checking
  - Have power of attorney pre-approved by institutions
  - Have them get to know the banker, financial planner, attorney, insurance agent.
- Provide all financial information
  - Directly
  - Use fiduciary advisor as intermediary

## Use a Financial Portal

- Consider an online financial portal
  - Consolidates information for easy tracking
  - Does not allow access to accounts – only viewing
  - Provide to future financial caretaker for monitoring
  - Set alerts for unusual activity or balances

## Hire the Appropriate Advisor

- Hire a real “Financial Planner” not an “Investment Manager/Broker”
  - **Advisor – Must Be A Fiduciary**
    - Cash flow planning
    - Budgeting
    - Investment Management
    - Should not sell products
    - Ideally charges hourly or retainer fees