



# THE **RED** **FLAGS** OF **FINANCIAL** **EXPLOITATION** AND **COGNITIVE** **DECLINE**

As clients age, the threat of financial exploitation or cognitive decline grows exponentially, and it is important for individuals with client contact to be vigilant for signs of such events. The following is a list of red flags highlighting conditions or circumstances that may be signs that financial exploitation of a client may be occurring, or that the client is experiencing some level of cognitive decline.

While this list is not exhaustive, and many of the items below can be explained by innocuous phenomena (such as arthritis that causes a client's signature to

change or hiring a caregiver for mobility issues), *any individual who recognizes these signs in their client should take the actions identified in their firm's established policies and procedures.*



## **SOCIAL**

### **Look out for when the client:**

- Informs you they have a new, particularly close friend or “sweetheart” and/or they move away from existing relationships towards new associates.
- Is being isolated either deliberately by family or a caregiver, or as a result of life changes.
- Is being accompanied by a caregiver or family member who will not allow the client to speak without them being present.
- Appears or sounds like they are being “coached” by another individual.
- Has an overly trusting personality or a temperament susceptible to manipulation.



## **PHYSICAL/COGNITIVE**

### **Look out for when the client:**

- Has an onset or worsening illness or disability.
- Is dependent on another to provide care.
- Indicates that items are missing from their home.
- Demonstrates a lack of responsiveness or inability to follow-through with a decision.
- Repeatedly calls seeking the same information.
- Requests frequent password or username resets.





## BEHAVIORAL

### Notice if the client becomes or demonstrates:

- Fearful, distressed or submissive
- Distrusting
- Withdrawn
- Forgetfulness, memory lapses
- Poor judgment
- Disorganized or disoriented
- Changes in their normal routine
- Grief
- Depressed
- Signs of mental illness
- Mood swings
- Alcohol & drug abuse
- Changes in appearance or personal hygiene



## POSSIBLE ABUSER INVOLVED

### Abuse-related Red Flags include when the client:

- Has family members or others who are financially dependent on the client or who are taking an excessive interest in the client's finances.
- Is reluctant to discuss financial matters which were previously a matter of standard practice.
- Has been denied access to their account statements or funds by someone.
- Relies on a person.
- Is difficult to reach, despite repeated attempts to contact them.
- Has accounts in joint name.



## ABRUPT ACCOUNT CHANGES

### Finally, notice if the client:

- Has atypical or unexplained withdrawals, wire transfers, debit transactions, or other changes in financial habits.
- Abruptly changes their will, trusts, powers of attorney, or beneficiaries of their accounts.
- Has bills that are not being paid or has mail piling up.
- Suddenly changes their investment style or begins trading excessively in high-risk instruments (such as leveraged ETFs, options or volatile equities) or has excessive outflows or trading losses.
- Has a signature(s) that does not appear to be authentic on documents you receive.
- Has an increase in the number of disbursement requests over a short period of time, or frequent ACH transactions to new accounts or checks issued to unusual recipients.
- Has a debit card tied to their account and the purchases made are inconsistent with their lifestyle or their area of residence or excessive withdrawals.
- Makes changes to transfer on death (TOD) instructions or beneficiary designations in a manner that is unexplained or inconsistent with prior estate plan or prior communication.

