

ADVANCE PLANNING FOR CHANGES IN FINANCIAL CAPACITY

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I am a gerontologist and Assistant Research Professor at the University of Minnesota School of Social Work. My research interests include:

- Predicting vulnerability to consumer scams and elder financial exploitation
- Fraud prevention and intervention
- Retirement security and financial planning



SELECT PUBLISHED WORK

Burnes, D., **DeLiema, M.**, & Langton, L. (2020). Risk and protective factors of identity theft victimization in the United States. *Preventive Medicine Reports*.

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DeLiema, M., Fletcher, E., Kieffer, C. N., Mottola, G., Pessanha, R., & Trumpower, M. (2019). *Exposed to scams: What separates victims from non-victims?* FINRA Investor Education Foundation, Stanford Center on Longevity and BBB Institute for Marketplace Trust. <https://www.bbb.org/ExposedtoScams>

DeLiema, M., Deevy, M., Lusardi, A., & Mitchell, O. S. (2018). Financial fraud among older Americans: Evidence and implications. *The Journals of Gerontology: Series B*, gby151.

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DeLiema, M., Mottola, G. & Deevy, M. (2017). *Findings from a pilot study to measure financial fraud in the United States*. Final report by the Stanford Center on Longevity and FINRA Investor Education Foundation. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2914560

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OUTLINE

1. Consequences of failing to plan for incapacity
2. What is advance financial care planning?
3. Overview of research aims and activities
4. Barriers to planning
5. Gaps in knowledge
6. Motivating people to plan
7. Framing approaches / effective messaging
8. Key takeaways

ADVANCE FINANCIAL CARE PLANNING IS A HEDGE AGAINST THE POTENTIAL COSTS OF INCAPACITY

Costs can include:

1. Financial mistakes / poor decisions
2. Family disagreements and stress on future caregivers
3. Victimization by fraud and scams
4. Victimization by financial exploitation
5. Loss of autonomy due to guardianship

WHAT DOES
PLANNING
ENTAIL?

STEPS IN ADVANCE FINANCIAL CARE PLANNING



- Identify a trusted surrogate decision-maker (a “financial advocate”)

- Get finances in order

- Start an open conversation with preferred financial advocate

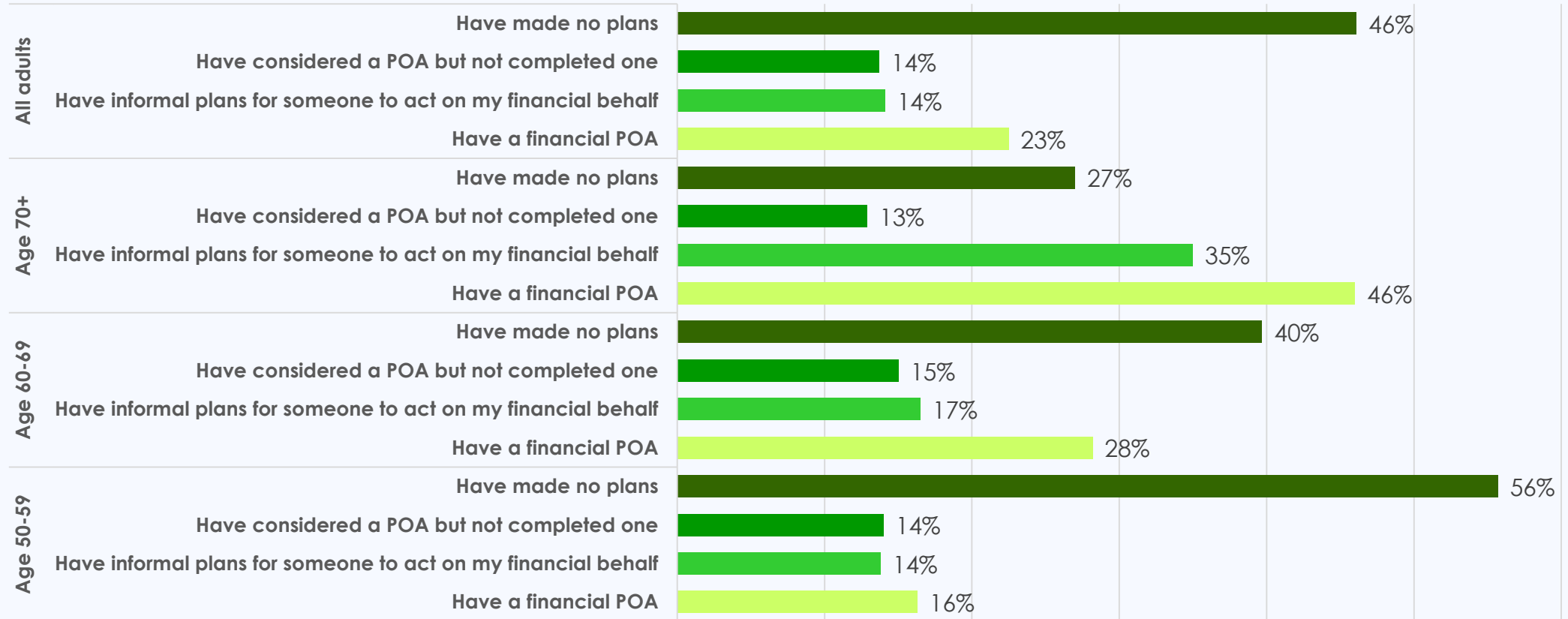
- Obtain a POA for finances or other legal document

- Gradually transition financial decision-making responsibilities to advocate

BENEFITS OF ADVANCE FINANCIAL CARE PLANNING

1. Reduces opportunities for fraud and exploitation
2. Reduces the likelihood of poor financial decisions
3. Eases uncertainty and burden on future financial decision-makers
4. Increases the odds that financial needs and expectations are honored

MAJORITY OF AMERICANS DO NOT PLAN FOR INCAPACITY



Source: Federal Reserve Board (2013) *Insights into the Financial Experiences of Older Adults: A Forum Briefing Paper*

RESEARCH AIMS

1. What are the barriers to advance financial care planning?
2. What will motivate aging adults to engage in planning?
3. What messaging is most effective?
4. Are there gaps in knowledge about the planning process?

RESEARCH ACTIVITIES

IN-DEPTH INTERVIEWS

14 professionals
(elder law attorneys, financial advisors, daily money managers, neuropsychologists, physicians, geriatric care managers)

4 older adults
6 caregivers

FOCUS GROUPS

1. African American
2. Latino

3. Low-income (< \$30K)
4. Middle income (\$30-75K)

ONLINE DISCUSSION FORUM

120 adults age 60+

2-week long engagement

BARRIERS TO PLANNING

Denial
of need

- *“People don't want to think about dying, they don't want to think about getting old. It's hard, it's emotional to think about...And so I think people would rather just avoid it or say, ‘Oh, I'm going to do that tomorrow.’”*
- Financial advisor

Desire
for
privacy

- *“To my kids, my daughters, I want them to think I'm very successful. I don't want them to know that I'm up to here [gestures above head] in debt.”*
- Male focus group participant

BARRIERS TO PLANNING

Resistance
from
friends/family

- *“You want to have this discussion with your kids? They're like, ‘Mom, Dad, we don't need to talk about it. That's way down the road.’”*
-financial advisor

Dysfunctional
family
dynamics

- *“If he can't take care of his money, how is he going to take care of our money?”*
-female focus group participant

BARRIERS TO PLANNING

Lack of
available
advocates

- *“We don't have anyone to take over for us if there are problems. None of the kids are willing to take on the tasks. They figure they have enough to do taking care of themselves. So basically we are drifting along.”* - online participant

Poverty
and
financial
myopia

- *“Finances? When you don't have enough money to begin with, planning seems useless, although I do try to save money.”* - online participant

ERRORS IN THE PLANNING PROCESS

- Thinking that only wealthy people need a financial advocate.
- Believing a spouse will take charge.
- Not choosing the right financial advocate.
- Failure to communicate financial values, expectations, and needs.
- Not organizing information for the advocate.
- Waiting too late to plan.
- Waiting too late to transition financial responsibilities.

GAPS IN KNOWLEDGE

“My sister and I don't have a financial advocate. We wouldn't even know where to start. I think the hold-backs for both of us are where to find one and the overall cost of having one. Having more information on what is available and how to determine a fair cost are the main challenges.”

SIGNIFICANT CONFUSION AROUND POAs

Often confused with healthcare POAs, wills, and advance directives.

Lack of understanding of why they are needed.

Belief that they costly to obtain.

Confusion about what powers they give/don't give to an agent.

Not recognizing the downsides of free POAs available online.

MANY OLDER ADULTS RELY ON JOINT ACCOUNTS

Joint accounts are used as an easy way to give a caregiver financial access. Many do not understand the risks and downsides.

HOW DO WE MOTIVATE PEOPLE TO PLAN?

“Educate and inform the public: Why is this important? What is it? What are the benefits? Why does this matter? What are things to think about that many folks have yet to consider? Don't "scare" them. Inform, educate and support them.”

OLDER ADULTS NEED A BOOST OVER THE BARRIERS

Need to simplify the process of developing an advance financial care plan.

Adults need a step-by-step guide that they can follow at their own pace.

Guide should include helpful prompts (e.g., list the charities that you want to continue supporting), checklists (compile the following account information), tips (sign up for auto-pay, use a password manager), and example conversation starters.

Certain groups need special care: “solo agers”, geographically distant families, low-income individuals, adults with blended families/complex relationships

EFFECTIVE MESSAGING

MOTIVATIONAL FRAMING APPROACHES

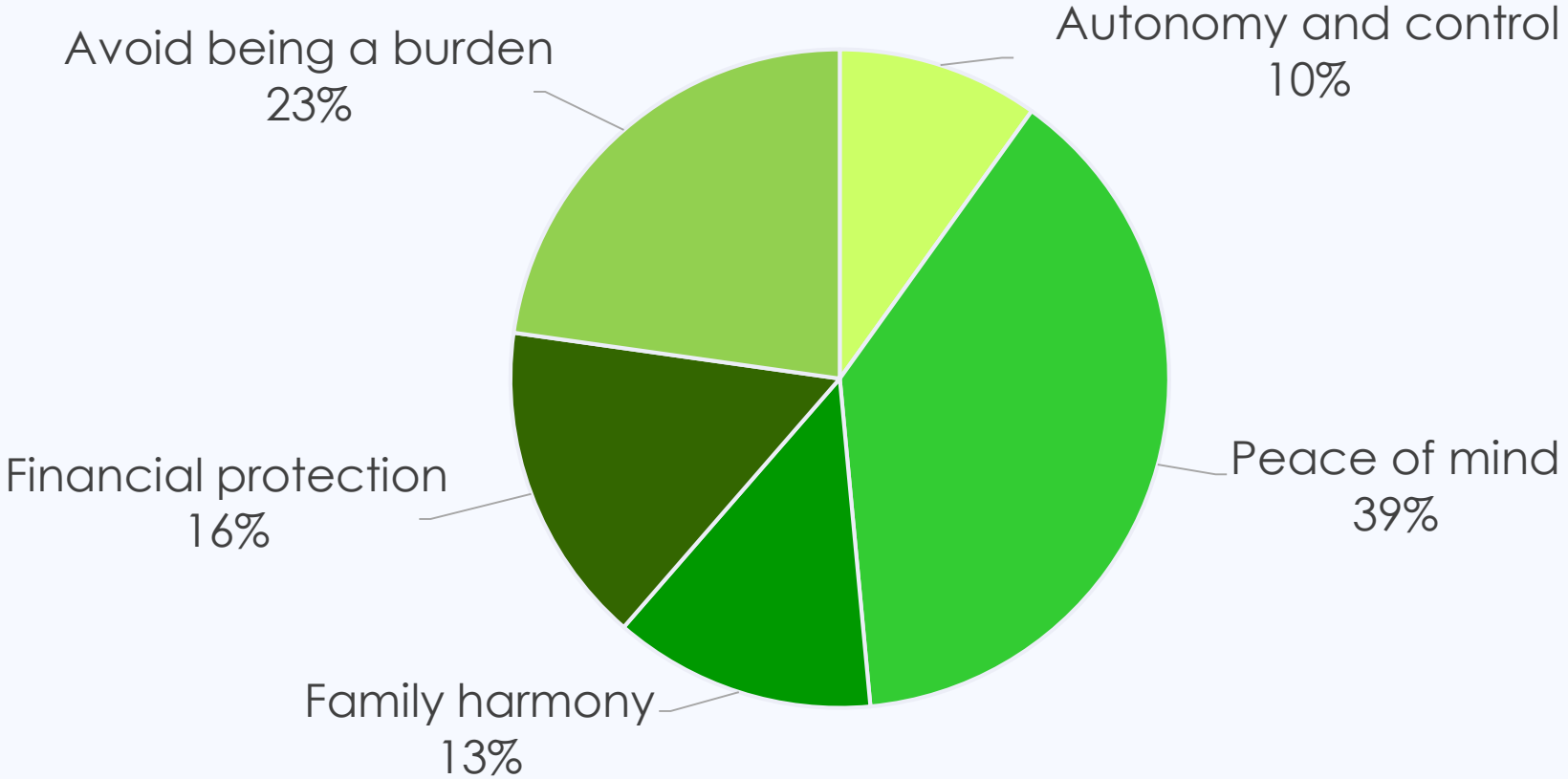
Stories of others overcoming the barriers to planning are both motivating and informative.

Messaging should be positive (stay in control as you age), rather than negative (avoid scams and fraud).

Messaging should clarify that planning is important regardless of age or income and savings.

“Peace of mind” messaging resonated the most, but other messages were also effective.

PREFERRED MESSAGING FRAMEWORKS



TERMINOLOGY MATTERS

LESS MOTIVATING TERMS

“fraud” / “scam” / “financial exploitation”

“cognitive decline”

“memory problems”

“burden”

“illness”

Financial & legal jargon

MORE MOTIVATING TERMS

“open conversation”

“financial advocate”

“trust” / “integrity”

“unexpected health problems”

“peace of mind”

“prepare for what lies ahead” / “prepare for the future”

FROM THE VOICE OF THE PARTICIPANT

“Failing to plan is planning to fail.”

“It's not a matter of losing control, but gaining oversight and assistance.”

“Extra effort now can provide peace of mind later.”

IMPORTANT TAKEAWAYS

Older adults will engage in advance financial care planning, BUT they need information, tools, and support to inform their choices and motivate them to take action *today* to be ready for tomorrow.

Learning about the process with a group is effective; Research participants were grateful for the opportunity to share and learn from others.

Low-income adults need additional supports and education about why advance financial care planning is important and how to obtain low cost or free POAs.

More daily money managers and other professional fiduciaries are needed to meet the demand of diverse populations.