Financial exploitation has been called "the crime of the 21st century" with one study suggesting that older Americans lost at least $2.9 billion to financial exploitation in 20101 by a broad spectrum of perpetrators, including persons they know and trust, as well as strangers. Cognitive impairment diminishes the ability of some older adults to make financial decisions and to detect frauds and scams. This epidemic is under the radar. The cases tend to be very complex and can be difficult to investigate and prosecute. Elders who lose their life savings usually have little or no opportunity to regain what they have lost. Elder financial exploitation can result in the loss of the ability to live independently. It can also result in a decline in health, broken trust, and fractured families. Awareness is the first step. Planning ahead for financial wellbeing and the possibility of diminished financial capacity is critical. Reporting and early intervention are vital to preventing loss and recovering loss when possible.

## Exploitation by a Fiduciary

A person who is named to manage your money or property is a fiduciary. He or she must manage your money and property for your benefit. Financial exploitation can occur when a fiduciary abuses that power. The person you appoint as your fiduciary should be trustworthy and honest. Your fiduciary has four basic duties:

**1.** Act only in your interest
**2.** Manage your money and property carefully
**3.** Keep your money and property separate from his/hers
**4.** Keep good records

Your fiduciary can be removed if he or she does not fulfill his/her obligations or duties. Fiduciaries can be sued and may be ordered to repay money. If elder financial exploitation is reported to the police or Adult Protective Services, the fiduciary could be investigated. If the fiduciary is convicted of stealing your assets, he or she can go to jail.

## Power of Attorney

One way some older adults prepare for the possibility of diminished financial decision-making capacity is by making a power of attorney (POA) for finances. A power of attorney gives someone else legal authority to make decisions about money or property. That person—called the agent—can make decisions if the older adult is sick or injured. Creating a POA is a private way to appoint a substitute decision maker and is relatively inexpensive. If you don't appoint an agent under a POA before your decision-making ability declines, a family member or friend might have to go to court to have a guardian appointed – and that process can be lengthy, expensive, and public. A POA does involve some risk. It gives someone else – your agent – a great deal of authority over your finances without regular oversight. POA abuse can take many forms:

- Your agent might pressure you for authority that you do not want to grant.
- Your agent may spend your money on him or herself rather than for your benefit.
- Your agent might do things you didn't authorize him or her to do – for example, make gifts or change beneficiaries on insurance policies or retirement plans.

## POAs differ

POAs vary, depending on what your state law allows and the wording in the document. Generally, a POA goes into effect as soon as it is signed unless the document specifies a different arrangement. That means that even if you are capable of making decisions, your representative can immediately act on your behalf. A durable power of attorney remains effective even if the grantor loses the capacity to make financial decisions. If you want your POA to remain effective if you become unable to manage your money or property, make sure it is durable. There are ways to customize a power of attorney to fit your needs and preferences. An attorney can help you make an appropriate POA for your circumstances.

## What are some ways to minimize the risk of POA abuse?

- Trust, but verify. Only appoint someone you really trust and make sure they know your wishes and preferences. You can require in your POA that your agent regularly report to another person on the financial transactions he or she makes on your behalf.

- Avoid appointing a person who mismanages their own money or has problems with substance abuse or gambling.

- Ask your financial institution about its POA procedures. The financial institution may have its own form that it wants you to complete. But a POA that is valid under your state's law should be accepted by financial service providers.

- Remember that POA designations are not written in stone – you can change them. If you decide that your agent isn't or is no longer the best person to handle your finances, you can revoke (cancel) your POA. Notify your financial institution if you do this.

- Avoid appointing hired caregivers or other paid helpers as your agent under a power of attorney.

- Beware of someone who wants to help you out by handling your finances and be your new "best friend." If an offer of help seems too good to be true, it probably is.