YOUR PARENTS TAUGHT YOU ALL ABOUT MONEY. THEY SAVED. THEY PLANNED.

BUT LAST MONTH THE PHONE BILL WASN’T PAID...

HOW YOU CAN HELP

Face it. Mom and Dad are getting up there. And their finances aren’t getting any simpler. Some of life’s trickiest money tasks—managing a large but basically fixed nest egg, figuring out how to spend it down while never running out—are in the hands of people who at some point may not be up to doing the work by themselves. The normal wear and tear of aging can mean worsening eyesight, fatigue, and enormous life changes (such as caring for an ailing spouse) that make it harder to deal with reviewing bank statements or tracking a portfolio. And as your parents get older, they are also at risk for difficulties with reasoning...
What Happens As the Brain Ages

Some mental processes slow as people age, which can make routine financial tasks more tiring or stressful. Parts of the brain show signs of atrophy or shrinkage over time, says Molly Wagster, chief of the behavioral and systems neuroscience branch at the National Institute on Aging. That may be linked to a declining ability to focus or to complete multi-step tasks. Meanwhile, the insulation around the brain’s neurons, a substance called myelin, may experience wear and tear. This can hamper a person’s ability to learn new things or put needed information from memory. Several researchers have also shown that reasoning and problem-solving abilities may start to falter as early as our twenties. Fortunately, that is offset by growing experience. A study by Harvard, New York University, and Federal Reserve economists found that some financial skills peak at about age 53.

From there, abilities typically decline. The researchers found, for example, that 80-year-olds were about as likely to incur credit card late fees or go over the limit as they did in their 20s, but poorer people also seem worse than the middle-aged at negotiating rates on home-equity lines. “Many of our elderly cannot manage their finances, even though our financial system assumes they can,” says Harvard’s David LaLiberty, a co-author of the study.

Yet aging doesn’t mean only decline. The elderly tend to be happier than younger people, says Laura Carstensen of the Stanford Center on Longevity, because they focus more on positive information. Some speculate that seniors, because they see less downside, may be more vulnerable to scams and high-risk investments. Carstensen says that’s possible, but the evidence isn’t in. Again, knowledge built up over the years helps—as Dad might say, he didn’t just fall off the turnip truck. So just because he turned 80 doesn’t mean he can’t make solid financial decisions for himself.

What to Watch Out For

Old age brings monstrous changes—not all of them physical—that could leave your parents feeling overwhelmed by the work of running their money.

• They are dealing with issues that are new to them. In many marriages—especially in your parents’ generation—husbands and wives split up financial duties. When one of your parents dies or becomes seriously ill, the other will very likely be handling unfamiliar problems, whether it’s picking mutual funds or making sure the utility and cable bills are sent out on time. Anyone in that situation, young or old, could benefit from extra help or advice.

• They’re still sharp but find money tasks more taxing. Even normal aging can bring gradual changes in mental function (see the sidebar at left). Those changes may not affect the ability to make sound financial decisions, but if Dad takes longer to work with numbers than he used to, he may become less diligent about checking his account statements.

General health issues can also make things harder: Russ Hendricks of Watertown, Tenn., helps his mom, Helen, 77, manage the bills. She’s been spending a lot of time caring for his dad, Harry, 81, who has trouble walking. And she recently had back surgery: “I find time gets away from me really fast these days,” says Helen. “With my surgery, I’m still having to rest in between chores.” Russ noticed a problem when Helen said she had trouble balancing the checkbook. “My mom isn’t forgetting things, even before your parents have serious problems. The goal is to help them without taking over their lives. Next, on page 90, you’ll find a guide to gadgets and services that will help your folks stay independent as long as possible. Finally, a feature in the August issue will help you defend Mom and Dad against the people harvesting inappropriate—or worse—financial products.

To get started, it helps to know more about how your parents’ lives have been changing as they age. That can help you decide when and how you should step in.
The Papers You Need to Prepare

At some point you may have to act on your parents’ behalf. Getting these forms done in advance will make it easier.

Durable power of attorney
If your parents can no longer pay their bills and make financial decisions on their own, this can give you the power to do it for them. “Getting power of attorney made everything easier,” says Diane Huff, who helped her mother, Ollie, move into a new assisted-living center following surgery. If your parents are healthy and anxious about doing this, they can get a special power of attorney, which takes effect only when they are deemed unable to make decisions. But Boston elder-law attorney Harry Mangolds cautions that it may be difficult to establish that your parent is incapacitated right away.

Health-care proxy
Authorizes you or another family member to make medical decisions on your mom’s and dad’s behalf if they can’t do so.

HIPAA form
Allows medical providers to keep you in the loop about your parents’ health status and treatment.

Will and revocable trust
By putting their assets into this trust, your parents give a certificate of power to use the money according to the rules of the trust. The will tells what to do with any assets not in the trust after they die.

If these documents aren’t prepared and there’s an emergency—and your parent can’t understand and sign the paperwork—you’ll have to have him or her declared incompetent and become a legal guardian or conservator.

That’s a costly and emotionally wrenching process.

When It’s Time to Help Them Make Decisions

As your parents get older, you’ll have to do more. But you’ll still want to keep them as independent as possible, for your sake as well as theirs.

BRING THE SIBLINGS ONBOARD
If you haven’t already discussed the issues with your siblings, now’s the time to make sure they know what’s going on—perhaps they can even share the burden. That strategy has worked well for Diane Huff of Charlotte, N.C., who manages the day-to-day finances of her mother, Ollie, who lives in an assisted-living center nearby. Meanwhile, her brother, Jim, in Florida, manages Ollie’s investment portfolio. “I just told Jim I can’t do it all,” says Diane. Even if it’s not necessary for everyone to pitch in, keep your siblings informed about what’s going on.

GET THEIR ACCOUNTS ONLINE
Russ Hendricks says online banking has been an important tool for helping to manage his parents’ finances. “I told my mom, ‘I use electronic banking, and it really helps to do it on a computer.’”

When deciding how to handle it, you could very well get good advice, and conversation will flow naturally from there. And by talking about your investments and estate, you’ll also basically tell them that you are doing okay financially. That will make it easier for them to turn to you.

ASK THEM TO HELP YOU
Another way to reassure them is still the parents is to say you’ve been worried and they could make you feel better if you knew more about their plans. “You are asking them to do you a favor,” says Jane Harwood, an expert on communication and aging at the University of Arizona. Try something called the 40/70 rule, suggests Paul Hogan, head of a senior-care agency called Home Instead. “If they don’t even talk to your kids about your health, they can’t tell you what’s going on.”

TALK TO THEM ABOUT YOUR OWN FINANCES
They may also have an easier time talking if they keep them in their familiar parental role, says Zucker. Ask Dad for advice on how he’s best to invest the money you put in his granddaughter’s college savings account. Or tell Mom you are revising your will and you’re wondering how they’d handle it. You could very well get good advice, and conversation will flow naturally from there.

DON’T START IN ASKING ABOUT MONEY PROBLEMS
It won’t be easy to get your parents to open up about their finances. “For many older Americans, who grew up during the Depression and World War II, money has always been a taboo subject,” says Miriam Zucker, a geriatric-care manager and social worker in New Rochelle, NY. So don’t expect to have one big talk that settles it all. Get the conversation rolling by asking how they’ve prepared their financial accounts in case of an emergency. Where do they keep their accounts and insurance? Where would you find the paperwork? Who has the passwords? Those shouldn’t be tough questions—you aren’t asking them if they are having trouble remembering the bills, just whether they’ve made the contingency plans everyone (you included) ought to have.

WHEN TO DO IT

When you feel your parents are ready to talk about money, then it’s the time to talk. If you’re not sure, try to talk to them about something small, such as moving or changing their will. If they agree to talk, then you’re on the right track.

WHAT TO DO WHEN THEY SIMPLY NEED A HAND

Get involved in small ways while your parents are still healthy. You can let them know you are available for advice, and make routine tasks easier for them. All of this will make it easier to step in when bigger issues arise later.
on—you don’t want to risk misunderstandings or bad feelings.

**MAKE IT SOCIAL** Taking a more active role in your mom and dad’s finances may make them nervous or even resentful. Or they may simply need time to build trust in your abilities, as well as accept the idea of letting some responsibilities go. So try to keep your involvement low-key—perhaps using it as an opportunity to socialize. Offer to have a bill-paying and savings-review date once or twice a month. After you square away the bills, go out for coffee or a meal. “That makes the process more like an excuse to get together and have some fun,” says Jim Ludwick, a financial planner in Odenton, Md.

**SET UP EARLY-WARNING SYSTEMS** With increased forgetfulness, your mom and dad may be at greater risk of making a major money misstep. They may also be targets for scams. So put some tripwires in place that will alert you if there are problems. Ask your parent to have you listed to receive automatic notification if he or she misses a utility payment. And consider getting them to give you access to their bank accounts. Then you’ll be able to see their daily cash-flow information.

One caveat: Check with the bank about what kind of account your parent has. Be sure you or your siblings are sharing a so-called convenience account, not becoming a joint owner with right of survivorship. That might run afoul of your parents’ estate plan, since you would inherit any leftover assets. It could also put your parents on the hook for the debts of anyone listed on the account, says Patricia Stichler, an elder-law attorney in San Antonio. In other words, if your brother is a joint owner and can’t pay his credit card balance, creditors could have a claim on the money in Mom’s account.

**DON’T RUSH TO TAKE OVER EVERYTHING** As you become more and more involved in helping Mom and Dad out, you can all too easily forget to treat them as the adults they are. Whether they’ve moved into your house or you’ve taken over management of their household budget, it’s important to give them as much financial independence as they can handle. Staying involved and active is essential to older people’s well-being, says Laura Carstensen, director of the Stanford Center on Longevity. That means getting out and socializing with friends, which can be difficult for them to do if they don’t have control over some money. Even if you and your siblings eventually have to manage most of their finances, make sure your parents have access to cash and perhaps credit cards, with modest limits, for as long as possible.

Marion Peterson, 80, of Downers Grove, Ill., has moved in with her daughter, Gail Dunlap, and her family. That means she doesn’t worry about paying for a lot of basic costs, such as utilities. But she still has her own bank account, and pays her own credit card, Medicare, and insurance bills. If she has questions, she can turn to Gail. “I forget sometimes, and it helps to have someone else look at things with me,” says Marion. That balance of support and freedom can help your parents live a better life—one without money worries.
THE STRESS AND EXPENSE
OF CARING FOR AGING PARENTS
CAN MOUNT QUICKLY.

NEW PRODUCTS AND SERVICES
EASE THE BURDEN AS YOU HELP …

KEEP THEM SAFE @ HOME

Is Dad mixing up his pills? What happens the next time Mom falls?
If you have an elderly parent, chances are you’ve spent more than one sleepless night worrying about such things. Sure, moving him or her to an assisted-living facility or a nursing home might help. But the average annual cost is $38,000 and $67,500, respectively, and that doesn’t include the hefty emotional price. Surveys show that seniors fear nursing homes more than they do death itself.  Thankfully, the past few years have seen a boom in technical innovations that can prolong their independence and help you to be a more effective caregiver, even from afar. They include automatic activity sensors, smart pillows, and communicators that share health data with you or a medical pro. These gizmos (and the monitoring services that typically come with them) can be pricey, ranging from a few hundred dollars to several thousand a year—and neither
Medicare or most private health insurers typically cover them (though some will if they’re prescribed by a doctor). Still, because these devices can extend the time your parent is able to live safely at home, the best ones may save money and heartache in the long run, says Laurie Orlov, founder of market research firm Aging in Place Technology Watch. “We’ve entered a really great new world,” she says.

Navigating this new world isn’t easy: There’s little regulation or independent testing of many of these products, and it’s hard to find impartial shop because many manufacturers don’t post prices on their websites or quote them over the phone but rather direct you to salespeople. So MONEY interviewed a dozen experts who are familiar with the latest elder-care technology—and identified cost-effective choices for three challenges, starting with the most common.

Manage Medications

The Challenge: Mixing up pills, forgetting them, or taking them at the wrong time can have dire consequences.

“It’s one of the primary reasons elders can no longer live alone,” says Elver Gundersen, a vice president at AARP.

The Old Fix: Those $2.99 plastic pillboxes you get at the drugstore, with a compartment for each day of the week. Many pharmacists will pre-sort medications into them. But seniors who are forgetful or have complicated drug regimens need more help, says Julie Menask, a geriatric-care manager in Oakland, Calif.

The New Fix: High-tech pillboxes that set off alarms if your parent fails to take a dose. They range from basic $17 models to $75-a-month machines that connect to a monitoring service via a phone line and send alerts if pills are missed.

Jeffrey Greenstein, the founder of comfortbeatz.com, a seller of household gadgets, says he’s been pitched dozens of these devices, many of which have “terrible instructions or buttons that are too small.”

A good pick for most people, experts say: the pie-dish-size MedReady 1600PL (medreadyinc.com; $218 and up, plus $16 a month). Load prescriptions into a carousel, then program it to open internal boxes up to four times a day; Mom doesn’t take a pill on schedule? The MedReady flashes and beeps. If the meds haven’t been removed after 30 minutes, the device sends voice or text messages to you or another caregiver. Since her parents got the MedReady, says Karen Balleau, 54, of Livermore, Calif., they’ve stopped sleeping through their scheduled pill-taking times: “It’s a blessing for us as caregivers.”

The Caveat: If an alarm will upset your parent, or if he or she might not swallow a pill after removing it, this isn’t a good choice.

Covered by health insurance?

Not by Medicare or big private insurers. Most long-term-care policies (and Medicaid in 16 states) will cover it if prescribed.

Make Falls Less Damaging

The Challenge: Installing grab bars and making other home modifications (see “Call on these Experts,” page 94) reduce the risk of falling but don’t eliminate it. Research shows that seniors who get quick help after a tumble are about 20% less likely to need hospitalization.

The Old Fix: Use of those “I’ve fallen and I can’t get up” pendants. Many seniors are reluctant to wear the conspicuous devices because they advertise frailty. And a 2008 British study of people over the age of 90 who wore such pendants found that 80% never pushed the alert button after a fall, either because they didn’t want to bother anyone or were unable to do it.

The New Fix: A wearable device that can automatically sense falls, thanks to a built-in accelerometer that measures movement and orientation. When it detects a fall, it sends an alert, typically to a monitoring service and to you.

Several companies now offer such devices, which run from $30 to $60 a month, hardware included. Among them, Halo Monitoring’s Halo4i ($94 a month; halo4i.com) records falls in real time and can alert a nurse or a doctor for monitoring.

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Covered by health insurance?

Not by Medicare or big private insurers. Most long-term-care policies (and Medicaid in 16 states) will cover it if prescribed.

The Caveat: A wearable monitor is no help if your parent away. Halo calls 911.

Choose this device only if you’re confident your parent will wear it and keep it charged. Otherwise, says Stacey Pierce, a certified aging-in-place specialist in Charleston, S.C., you’re better off installing a fall-alert system in her or his home. The latest include wireless motion-detecting sensors that can alert you if they don’t pick up movement typical of your parent. For example, if Dad gets the paper and eats breakfast every morning, put sensors on the front door and the refrigerator and program the system to call or text you if they aren’t opened by, say, 9 a.m.

Installing such detectors kept Karla Barham, 52, of Shreveport, La., from having to rush to her mother’s apartment in a panic several times a week whenever her phone calls were not answered. Now Barham spends her time with Mom cooking dinner or going out: “We have a much better relationship.”

Top-of-the-line systems may include audio and video and run into the thousands of dollars. But you need not spend that much. Susan Estrada, an independent seller of caregiving products, is the first in a reputation among elder-care experts for posting reliable product reviews at happyathome.com, suggests the following cost-effective system.

The Caveat: A wearable monitor is no help if your parent...
doesn’t have it on. Motion-detector systems work well only if you place and program them correctly—and some parents dislike the “little daughter turning into Big Brother” aspect. (To convince them, stress that motion detectors also work as burglar alarms.)

* COVERED BY HEALTH INSURANCE? Usually not. But these devices are covered by some long-term-care policies (and Medicaid in 44 states) if prescribed by a health pro.

**Monitor Health Problems**

* THE CHALLENGE: Seniors who fail to follow standard medical guidelines for chronic ailments such as diabetes and heart disease—for example, neglecting to measure blood sugar or pressure—get sicker and have to be hospitalized far more often than those who do.

* THE OLD FIX: Blood-pressure gauges and other devices for home use. But there’s no way to check that your parent is using them or to read results remotely.

* THE NEW FIX: “Telehealth” devices that automatically transmit data to medical pros or caregivers. A recent Department of Veterans Affairs study shows that people with chronic conditions who use the kind monitored by doctors are 20% less likely to wind up in the hospital. What’s more, they’re keeping more than 49,000 veterans from having to enter nursing homes, says Adam Darkins, a physician who oversees the VA’s telehealth program.

One system proved effective in Medicare and VA studies: the **BOSCH HEALTH BUDDY** (bosch-telehealth.com; available only by prescription). A small video console plugs into your parent’s phone line; another device—a blood-sugar monitor, for example—gathers data. The console reminds your parent to use the monitor and transmits the reading to his or her doctor’s office. The doctor’s staff keeps an eye on the info and intervenes if necessary. “It really gives me peace of mind,” says Shelley Costello, 57, of Wenatchee, Wash., whose 81-year-old mother uses the device to keep tabs on her high blood pressure.

However, most medical pros don’t yet work with the Health Buddy. Your parent’s doctor doesn’t?

Joseph Sharit, a research professor at the University of Miami’s Center on Aging, recommends this easy-to-use, reasonably priced alternative: **IDEAL LIFE** (ideallifeonline.com; $200 to $450 upfront plus $8 to $50 a month). The main difference: This system doesn’t automatically send health data to a doctor but to you (or someone you designate), via a smartphone alert or a website you can check.

* THE CAVEAT: Getting the data yourself won’t do much good unless you know how to interpret it. Consult your parent’s doctor to find what numbers are worrisome and what to do if he or she hits them.

* DOES INSURANCE COVER IT? Usually, if the system is prescribed and overseen by a health pro.

Fortunately, competition to provide newer and better elder-care aids is accelerating, which promises to drive down prices, Orlov says. That’s good news for older Americans—and for caregivers who want to help their parents stay at home, worry-free, as long as possible.
Seniors lost nearly $3 billion last year to financial predators. Don’t let your mom and dad be among them. Understanding how they can get hooked is the best way to make sure you...

KEEP THE SHARKS AT BAY

In 45 years as a service scheduler for a Northern California auto dealer, Art Tener learned how to stay organized. Even after retirement, Tener scrupulously kept up his calendar, noting appointments, daily chores, accomplishments. That’s how his son, Jim, learned that his dad had a new friend escorting him to meals and the museum. “Who is this guy?” Jim asked. That question led Jim to the discovery that the “friend,” a local insurance agent, had persuaded Art to roll $133,000 in savings he had in annuities into new deferred annuities that handcuffed the money for up to 16 years—despite a terminal illness that doctors said meant Art had less than two years to live.

• Art, then 79, had been worried about how he would pay for nursing-home care in case his wife, who suffered from Parkinson’s disease, one day needed it. He believed the new annuities would help. But the transfers cost him nearly $11,000 in penalties; worse, since he couldn’t get to his money without
paying large lender fees, he was no longer able to cover his living expenses without his children’s help. “He lost huge on this thing,” says Jim, 57. “Instead of enjoying what turned out to be the last nine months of his life, he didn’t have $100 to spare.”

One out of every five older Americans has been sold an inappropriate investment, paid excessive fees for a financial product or service, or been a victim of fraud, according to a 2010 study by the Investor Protection Trust; new research from MetLife puts their collective losses at $2.9 billion last year. Complaints about exploitation of the elderly are clogging the regulatory enforcement system: Some 44% of investor complaints nationwide came from seniors, and about one-third of enforcement actions involved elderly investment fraud, the North American Securities Administrators Association (NASAA) reports; states with large elder populations posted even bigger numbers. Although that year was done five years ago, interviews with more than three dozen regulators and consumer advocates suggest that the problem is just as prevalent today.

Says NASAA president David Massey. “Seniors remain our most vulnerable investors.”

It’s easy to understand why sellers of financial products, legitimate or otherwise, want to target your mom and dad. They’re where the money is. After a lifetime of saving, with homes often paid off, the average household led by those 75 and over has a net worth of $453,000.

Other factors also make the elderly especially vulnerable to exploitation. For one, the ability to navigate complex financial transactions is in decline among many with age, particularly for the one in three people over age 70 who cognitively impairments. Seniors also tend to be more open to sales pitches—in part because they have time to take the calls. When those sales tactics turn overly aggressive, unsuspecting seniors can be lured into paying too much for a financial product that makes no sense for them. The techniques aren’t necessarily illegal, but they can be just as damaging as outright fraud, resulting in losses that deprive your parents of money they need for everyday expenses.

How can you ensure your parents don’t become victims? First you have to understand the sales techniques that your folks are up against, then you need to marshal a smart counterattack. You’ll find both in this story, the last installment in MONEY’s three-part series about how to protect your aging parents (see the June 2011 issue for Parts I and 2).

“Let me buy you lunch.” The fliers arrive in a steady stream, roughly once a month, inviting Lorenbach and Bob, and his wife, Mary, 66, to attend a free seminar while eating a nice meal at a local restaurant, hotel, or community center. Investing, estate planning, tax-cutting strategies—all and any might be on the agenda. That’s standard fare for seminars: Nearly 60% of older Americans surveyed by the AARP in 2010 received five or more invitations in the previous three years to these so-called free-lunch seminars, 13% attended.

The Becks, of Murrayville, Pa., joined the ranks of seminar-goers six years ago after Leonard retired as a purchasing manager for Westinghouse. “I was looking for answers to managing our personal finances,” Len says. “He didn’t find them. Instead, the seminars made us uneasy by presenters who spoke only in ‘vague generalities about the topic at hand but pushed hard for follow-up appointments to pitch sales of investments, loans, and insurance.” So in 2005 he signed up to be a “senior sleuth,” sharing their observations about free-lunch seminars as part of a monitoring program run first by securities regulators and, later, AARP. Twenty presentations and several follow-up meetings later, the Becks have reported on a spectrum of bad practices, from exaggerated claims about the benefits of a financial product to instances of fraud or abuse.

Once a salesman prepared a plan for investing $100,000 turned out to be unbounded. Another time, seminar sponsors wouldn’t serve the meal until the attendees agreed to an at-home consultation. “Talk about a pressure tactic,” says Mary.

The Becks had a file full of free-lunch seminar invitations typical of the free-lunch circuit, says Pennsylvania securities commissioner Steve Irwin. Organizers often talk up complicated, costly products—variable and equity-indexed annuities, reverse mortgages, private real estate investment trusts—much the same way you would call a man who wanted to talk about other financial issues.

Morgan says: “How did they afford care for her husband, who had Alzheimer’s? Did she have enough income? The money was in CDs. Why were those earning anything? Morgan says the account claimed he had just the product for her, and she’d even get a $1,000 bonus for signing up. As for Medicare, she says he handed her a pamphlet about the program and left it at that.

Morgan did end up buying a deferred annuity from the agent. He pays a better rate than her old CDs, but she says she didn’t understand the big catch: She can’t access most of the $40,000 she invested for 10 years without paying stiff penalties. And she needs that money to help pay the $2,300 monthly cost of nursing-home care for her husband. Morgan talked to lawyers trying to put together a class-action suit against the insurer.
whose annuities the agent was selling, a $10 billion company named Bankers Life & Casualty that specializes in the senior market. She ultimately decided against legal action, but the feeling of having been misled still sting. “When they first called, I asked, ‘Why are you doing this?’ and they said, ‘We do this to help seniors,’” Miller recalls. “Nothing about selling. What a bunch of BS!” Miller’s agent, Terry Smith, referred calls to Bankers, which reviewed Miller’s policy and concluded the sale met its suitability standards.

Medicare is one of several hot-button subjects Bankers Life uses in mailers and cold calls to spark interest in prospective customers. Once the person agrees to a home visit, Bankers instructs agents to ask a series of questions to identify the senior’s financial needs and anxieties. At one point, agents were taught that seniors store their primary learner in a “worry box.” According to the training manual, “If you have done your job properly, you have disturbed them by opening their worry box.”

Bankers president Scott Perry notes that agent training has been overhauled and no longer includes a “worry box.” But probing to learn what most concerns customers is still a key part of the process. Agents must make decisions through analysis but also by feeling, he says. “I’ve been avoiding the financial aspect in the sales process. We do customers a disservice.”

Regulators don’t necessarily see it that way. Since 2008 the company has paid $23 million to five states to settle charges that its agents manipulate seniors’ emotions to push them into buying unsuitable products, and citing the company for failing to properly supervise its sales force. The company is also under investigation in Rhode Island, where the state insurance commissioner is seeking to revoke its license, and those of 20 of its agents for violating state law in 100 randomly selected sales of life insurance and annuities. One common charge: Agents routinely persuaded seniors to replace existing annuities and life insurance with new Bankers policies, in some cases costing customers penalties or lost benefits, without showing how the new policies were better, as required.

The state also detailed a litany of customer complaints, including one from Bankers employees who called state police after a Bankers agent tried to transfer $60,000 from a 76-year-old handicapped woman’s account (nearly all her savings) to buy an annuity. After the woman stopped the transfer and canceled the annuity, an agent and branch manager visited her home to try to talk her into keeping it, the state contends.

Perry says the problems are with specific agents (independent contractors, not employees), not the company itself. “These are practices we do not condone,” he says. Fear is a common persuasion tactic in investment pitches, says John Gannon, head of investor education at the Financial Industry Regulatory Authority (FINRA), which oversees U.S. securities firms. And it can sometimes lead seniors into making bad decisions, adds Anthony Pratkanis, a University of California psychology professor specializing in persuasion. “Fear increases our tendency to adopt simpler suggestions to remove the negative emotions and makes it more difficult to think critically,” Pratkanis says.

**HOW YOU CAN HELP**
- **ELIMINATE COLD CALLS** They just set your parents up for a high-pressure sales job, says Howard Glickman, a long-term-care expert at the Urban Institute. Reduce the number of pitches they get by putting them on the Do Not Call List (dntcall.org) or 888-382-2222. Cut junk mailings at dsnchoice.org.
- **DEVELOP AN EXIT STRATEGY** For the calls that still get through, FINRA recommends that every senior practice a way to end the conversation—even if it’s as simple as saying, “No, I’m not interested.”

**“I’ll be your BFF.”** Art Tener was an affable World War II veteran who missed the camaraderie of work after retirement, says his son Jim Tener, who is a project manager for a construction firm in Modesto, Calif. So Art was happy to have the company of insurance agent Hal Hagendorff, whom he met at a financial seminar in 2005. Hagendorff came to Art’s home 12 times, according to his dad’s calendar, says Jim. They’d talk cars, planes, swap war stories, go to lunch.

Art believed the agent was working in his best interest. According to a lawsuit Art later filed against the agent and the seminar sponsor, Pro-Elite, Hagendorff never mentioned the $4,200 in commissions the products would pay. When Jim sat in on a meeting with the agent to discuss his dad’s finances, he was disturbed to learn that a benefit of one of the annuities was a rider allowing Art to withdraw money penalty-free if he was diagnosed with a terminal illness at least a year after he invested. The problem: Art already had been diagnosed with pulmonary fibrosis, a lung disease projected to kill him in about two years. Jim says when he told this to Hagendorff, the agent looked at his dad and said, “Art, you look great. You’ve got another 15 years. I said, ‘My dad is almost 80. Do the math.’” Art died 18 months after buying the annuities.

Hagendorff told MONEY, “What we did was absolutely proper.” He referred further comment to Pro-Elite, which stated that Hagendorff discussed the annuities’ terms with the Teners, went over the required forms, and repeatedly advised them...
to seek additional counsel: “Never did they raise any objection.” Jim says he learned about the sale too late to object, and his dad, trusting Hagendorff completely, didn’t feel he needed outside advice. The Tenant lawsuit was settled; the terms are confidential.

Bonding over the kids and hobbies is a common tactic used to build the client’s trust and blur the fact that this is a sales relationship, says Byron Cordes, president-select of the National Association of Professional Geriatric Care Managers. It’s a technique that’s particularly effective with seniors who live alone or far from family.

HOW YOU CAN HELP

- Know their routine. Get in the habit of asking your parents about their friends and hobbies. You’ll be more likely to spot changes in patterns. If you discover a new presence in your parents’ life, question them, but don’t criticize, says Laura Carstensen, director of the Stanford Center on Longevity: “Children hear their parents talking to someone else and may start yelling. The irony becomes your parent is having a great relationship with the nice person on the phone.”

- Enlist their doctor’s help. A new initiative aims to tap family physicians as watchdogs for signs their elderly patients are having money troubles (go to investorprotection.org for info). Paula Span, author of When the Time Comes: Families With Aging Parents Share Their Struggles and Solutions, suggests you call their doctor if you’re worried: “Say, ‘Would you be willing to discuss this with my father?’ Older people often invest doctors with knowledge they don’t have.”

**Pitchfork**

“I can get you 8%.”

Or 10%. Or more. The numbers vary, but the pitches have one thing in common. They promise high, maybe even double-digit, returns that are safe or “guaranteed”—just the ticket for seniors concerned about running out of money because of stock losses or rock-bottom rates on CDs.

Regulators say the investments promoted this way are frequently complicated, riskier than salespeople reveal, carry hidden costs, and may tie up principal that the retiree needs for living expenses. But brokers and agents earn higher commissions on them than on plain-vanilla bonds and mutual funds and so are highly motivated to sell them.

In the past 15 years, New York investment firm David Lerner Associates has pocketed $400 million in fees from the sale of private-owned hotel properties; the most recent in the series offered juicy 8% dividends. But since 2008 the trusts have had to borrow money to make the dividend payments. David Lerner Associates maintains the shares are still worth their initial value despite sharp drops in income on the trust’s properties. Investors were originally told they could get their money back after three years. But when more investors than expected recently tried to redeem shares, they were told they had to accept an 8% discount.

David Lerner Associates, FINRA says, didn’t properly communicate these issues when selling a new RST in the series. Founder David Lerner told MONEY that FINRA has hit it all wrong. He says the firm makes the RST’s risks abundantly clear before each sale (as long as the investor reads the 19 pages of risk factors in the 250-page prospectus and supplement, for the newest trust) and that customers sign forms affirming they understand them. “In 18 years, I don’t recall one client complaint,” Lerner says. FINRA, however, has disciplined the company five times before for various infractions, including in 2005 for misleading investors in marketing materials with exaggerated claims about its investment prowess.

At least three other large private RSTs have stopped redeeming shares in the wake of financial losses. Regulators believe the percentage of retirees in these trusts is high because their marketing pitch fits the senior investor profile. Says Colorado securities commissioner Fred Joseph: “Seniors are desperately seeking alternatives to get some kind of return on their investment—5% to 10% sounds pretty darn good. But they shouldn’t be taking on this kind of risk.”

**HOW YOU CAN HELP**

- Be inquisitive. Ask the kinds of questions that regulators do: Are there high fees? Is it too complicated to understand? Will it tie up your money for years? Need for living expenses? There’s no relief? File a complaint with FINRA (finra.org/complaint) and your state securities regulator; or the SEC, or seek arbitration to have an impartial judge decide a fair resolution.

- Use “free look.” Insurance buyers have a 10- to 30-day window when they can cancel for a full refund. If too much time has passed, your state insurance regulator may be able to help your parents nab a refund, says New Jersey insurance commissioner Thomas Considine.

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**Are Your Parents at Risk?**

Research shows that certain characteristics are more closely associated with victims of financial exploitation than others. See how many risk factors apply to your parents; then check below to determine how vulnerable they may be.

- They own high-risk investments such as penny stocks.
- They don’t vet the financial professional they hire, (e.g., checking credentials or disciplinary records).
- They have attended a “free lunch” seminar.
- They have called 100 numbers in response to ads offering free information.
- They haven’t signed up for the Do Not Call list.
- They read their junk mail.
- They don’t have a formal financial plan in place.
- Or financial decisions; they listen to the latest lip rather than seek professional advice.
- They have recently experienced a financial setback, serious illness or death in the family, or another life stress.
- They live far from other family members and don’t have a close circle of friends locally.

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Enabling 6 of the top 10 Pharmas to find the next big cure.
Kleantech says the intention wasn’t to mislead but to stress that Hartland sold only government-insured reverse mortgages that provide extra protections to seniors. He claims his experience with the attorney general—the company paid a $5,000 fine—taught him the need for extra sensitivity in marketing to seniors.

Taking out a reverse mortgage is too involved a decision to be made in a rush, Cole says. The loans, which allow seniors to borrow against their home equity without repaying it as long as they stay in the house, carry high fees, can hurt the drawbacks of that strategy. Delott consented to a six-month suspension and will have to pay a $35,000 fine upon his return to the industry. The company that owns his practice, National Financial Partners, declined to comment on Delott’s behalf.

HOW YOU CAN HELP

- EXPLORE ALTERNATIVES Other options may provide a similar financial benefit at lower cost or with less risk. Instead of a reverse mortgage, for instance, your parents might be better off applying for a home-equity loan or line of credit or one or more

“Seniors are 

**desperately seeking alternatives to get some kind of return on their investments. But they shouldn’t be taking on [the] risk.”**

— FRED JOSEPH, COLORADO SECURITIES COMMISSIONER

—

eligibility for Medicaid, and may jeopardize a spouse or offspring’s ability to inherit the house.

A 2009 report from the Government Accountability Office also noted problems with the loans being used to cross-sell other products. FINRA fined and suspended Illinois broker Steven Delott last year after he recommended at seminars that seniors take out reverse mortgages and use the money to buy life insurance—he suggested that using a $100,000 mortgage to buy a life policy with a $170,000 death benefit was the equivalent of earning a 70% return—without presenting any of the many state and local government assistance programs that offer a break to seniors on property taxes, utility bills, home repairs, improvements, and other housing costs. (Find them at benefitscheckup.org.)

- HAVE A “SECOND SET OF EYES” POLICY

No legitimate financial product requires an immediate decision. Suggest that your parents make it a habit to always get another opinion—yours or a financial planner’s—about any major money decision or investment they’re considering, suggests Amy O’Rourke, a geriatric-care manager in Orlando.

If Art Tener had consulted his son earlier, Jim thinks he might have stopped his dad from making a costly mistake. Art, like many seniors, didn’t want to ask for help. Jim says, “My father didn’t want to look stupid.”

Additional reporting by Ismat Sarah Mangla