KNOWLEDGE MODULES

7 OF 7

MODULE 7
Risk & Vulnerability

1 2 3 4 5

BEFORE WE BEGIN

REFLECTION

Before we begin this module take a moment to think about this statement from Lichtenberg's (2016):

> *While it is vitally important that older adults be protected from financial exploitation, it is equally important that they maintain financial autonomy. Both under- and overprotection of older adults can have damaging consequences. Under-protection of older adults can lead to gross financial exploitation and affect every aspect of the older adult's life, including the ability to pay for necessary services. The dilemma is that overprotection can be equally costly.*

Think about how hard it is to find a balance between autonomy and protection.

OVERVIEW

RISK & VULNERABILITY

Understanding these issues allows advisers to identify who among their clients may be at risk of financial abuse and what key vulnerabilities are relevant. This module includes the following topics:

Risk Factors for Elder Abuse: Individual, Relationship, Community, Socio-cultural, Institutional.

- Risk and Vulnerability
- Victims
- Vulnerability
- Displays of reduced capacity and vulnerability
- Financial Circumstances
- Perpetrators

LEARNING OUTCOMES

include gaining knowledge about risk factors for elder abuse and financial abuse for older persons and perpetrators of abuse.

OBSTACLES TO SELF-PROTECTIVE ACTION

It is important to understand the **risk factors** for elder abuse including financial abuse.

Risk indicators and factors are predictive of the presence of abuse or an abusive situation (Hwalek & Sengstock, 1986). However, no one set of characteristics is **determinant**; it is often the **interplay** between all that provides an increased vulnerability to abuse.

The World Health Organization (WHO) set out categories of **risk factors** for elder abuse:

INDIVIDUAL

RELATIONSHIP

COMMUNITY

SOCIO-CULTURAL

INSTITUTIONAL

RISK FACTORS FOR ELDER ABUSE

INDIVIDUAL

Risks at the **individual level** include poor physical and mental health of the victim, and mental disorders and alcohol and substance abuse in the abuser. Other individual-level factors that may increase the risk of abuse include the gender of victim and a shared living situation.

While older men have a similar risk of abuse as women, in some cultures where women have inferior social status, older women are at higher risk of neglect and financial abuse (such as seizing their property) when they are widowed. Women may also be at higher risk of more persistent and severe forms of abuse and injury (WHO).

RISK FACTORS FOR ELDER ABUSE

RELATIONSHIP

A **shared living situation** is a risk factor for elder abuse. It is not yet clear whether spouses or adult children of older persons are more likely to perpetrate abuse. An abuser's dependency on the older person (often financial) also increases the risk of abuse.

In some cases, a long history of **poor family relationships** may worsen as a result of stress when the older person becomes more care dependent. Finally, as more women enter the workforce and have less spare time, caring for older relatives becomes a greater burden, increasing the risk of abuse (WHO).

RISK FACTORS FOR ELDER ABUSE

COMMUNITY

Social isolation of caregivers and older persons, and the ensuing lack of social support, is a significant risk factor for elder abuse by caregivers.

Many older people are **isolated** because of loss of physical or mental capacity, or through the loss of friends and family members (WHO).

RISK FACTORS FOR ELDER ABUSE

SOCIO-CULTURAL

Socio-cultural factors that may affect the risk of elder abuse include:

- Depiction of older people as frail, weak and dependent
- Erosion of the bonds between generations of a family
- Systems of inheritance and land rights, affecting the distribution of power and material goods within families
- Migration of young couples, leaving older parents alone in societies where older people were traditionally cared for by their offspring and
- Lack of funds to pay for care (WHO).

RISK FACTORS FOR ELDER ABUSE

INSTITUTIONAL

Within **institutions**, abuse is more likely to occur where:

- Standards for health care, welfare services, and care facilities for elder persons are low
- Where staff are poorly trained, remunerated, and overworked
- Where the physical environment is deficient and
- Where policies operate in the interests of the institution rather than the residents. (WHO)

RISK & VULNERABILITY

Financial exploitation is a broad term that can encompass many different behaviors. As a result, risk factors can vary depending on the method of exploitation (Lichtenberg, 2018)

Working with older persons necessitates an understanding of **risk and vulnerability:**

- **Risk factors** are any stimuli positively related to the likelihood of either the onset of a problem or the maintenance in a problem state (Coie, 1993)
- **Risk factors** are also patterns of disease occurrence in human populations and the factors that influence these patterns (Lillienfeld, 1980)
- **Protective factors** have the reverse effect: they enhance the likelihood of positive outcomes and lessen the likelihood of negative consequences from exposure to risk (WHO) and
- **Vulnerability** describes the cluster of risk factors that have been associated with elder abuse; namely: age, sex, race/ethnicity, socioeconomic status, cognitive impairment, physical disability, depressive symptoms, social network and social participation (Dong, 2014).

CATEGORIES OF RISK FACTORS

Risk factors are often categorised into three (3) characteristics:

1	VICTIM'S CHARACTERISTICS (INCLUDING BEHAVIOURAL TRIGGERS)
2	PERPETRATOR'S CHARACTERISTICS
3	ENVIRONMENTAL CHARACTERISTICS

RISK FACTORS FOR VICTIMS

Recognised **risk factors for victims** of financial abuse include:

- Age
- Gender
- Frailty
- Cognitive Impairment
- Physical dependency
- Mental Illness
- Substance abuse
- Predictable Behaviour
- Fear
- Low income (Abid, 2014)

INTERSECTION OF RISK FACTORS FOR VICTIMS

It is important to note how **risk factors interact.**

For example, functional dependency - the inability to perform activities of daily living, including self-care and medication management, increases the probability of abuse. Non-use of social services and requiring assistance with **activities of daily living** are predictive of abuse when other risk factors were included. For adults aged 60 and older, losing at least one domain of Instrumental activities of daily living (IADL), such as housekeeping or shopping, was associated with greater incidence of financial abuse (Liu, 2017).

Poor **physical health** and poor **perceived health** were related to higher financial abuse risk. Reduced cognitive abilities can compromise older adults' decision-making, and financial capacity is one of the first decision-making domains that suffers. **Impaired cognitive functioning,** as indicated by lower scores on the Mini-Mental State Examination, was associated with greater risk of financial abuse. Diagnosis of dementia is associated with greater risk of abuse.

INTERSECTION OF RISK FACTORS FOR VICTIMS

Problems with reasoning and judgment may lead older persons to fall prey to abuse because they do not fully understand the situation or tend to make more financial errors and risky financial decision-making.

In addition, **depression** causes older adults to withdraw from familiar activities, and has been identified as another risk factor.

Some **literature** points to an association between **gender roles** and elder abuse, particularly financial abuse, because under traditional gender role paradigms, women have not expected, or been expected, to take responsibility for financial matters. In this respect, norms that support women's relinquishment of financial control to others are also seen to be conducive to creating opportunities for elder abuse (Peri, 2009).

Declines in executive functioning, calculation, and numeracy were found to increase risk for financial abuse.

INTERSECTION OF RISK FACTORS FOR VICTIMS

Financial Fraud most often occurred when a vulnerable older person was solicited by a financial predator in the absence of capable guardians. Accordingly, prevention efforts reducing social isolation enhance protection (DeLiema, 2017)

Financial abuse is the result of **complex interactions** between the older person and individuals in their life, so no single risk factor explains why some older persons are more susceptible. Being aware of the risk factors can be very useful in prescreening and screening processes.

Conversations with older persons will often reveal the extent of their risk factors.

For **Aboriginal and Torres Strait Islander** older persons, additional risk factors may be present.

VULNERABILITY

Financial abuse theories have guided researchers to investigate domains of victim **vulnerability** to financial abuse. These domains have been variously grouped including:

- Dependency
- Physical vulnerabilities
- Cognitive vulnerabilities and
- Socioemotional vulnerabilities.

Lachs suggests a number of **factors** contributing to age-associated financial vulnerability:

- Cognitive and emotional
- Medical and functional
- Psychosocial and
- Environmental/societal.

VULNERABILITY

Cognitive impairment, including through declines in executive functioning, calculation, and numeracy increase risk of financial abuse.

Problems with reasoning and judgment may lead older persons to fall prey to abuse because they do not fully understand the situation, or tend to make more financial errors and undertake risky financial decision-making.

Age-related cognitive changes ‘in decision-making capacity can directly influence financial competence and financial exploitation risks in older adults’ (Spreng, 2016). Spreng (2016) proposed a social cognitive neuroscience model of financial exploitation, which proposes that age-related changes which result in declining financial management skills and susceptibility to social influence lead to risk of financial abuse.

Mental illness such as depression causes older adults to withdraw from familiar activities, and is another risk factor.

DISPLAYS OF REDUCED CAPACITY & ASSOCIATED VULNERABILITY

In addition to risk factors and vulnerabilities, **behavioural triggers** are recognizable patterns of behavior exhibited by older persons that may indicate memory loss and associated vulnerability to financial exploitation.

Several features mark this such as any change in the older person's status (Lichtenberg, 2016).

INDUSTRY EXAMPLE

VULNERABILITY

In the area of investments, AFCA will look at issues of vulnerability and financial literacy.

In Determination 255781 AFCA noted:

> *The Panel accepts that the Applicant was an inexperienced investor and had no knowledge of how managed funds worked. In reaching this conclusion the Panel took into account the Applicant's financial literacy and experience.*
>
> *The Applicant's financial situation prior to December 2005 was relatively uncomplicated and she appears to have been very dependent on others to advise her about these matters.*

Allegations of elder abuse had been made in that case, and while AFCA did not reach a finding that abuse had occurred, however, it looked closely at several indicators of abuse.

VULNERABILITY

Conversely in Determination 462666, despite large unusual transfers, steps were taken to question the transactions and AFCA noted that:

> *While the Applicant is elderly, this does not of itself indicate that he was particularly vulnerable. There must be compelling accompanying factors which would suggest the Applicant was being financially exploited because of his age or his disposition. Red flags may include customers appearing particularly frail or physically unwell, appearing confused, with-drawn or fearful, or remaining silent while with-drawing a large amount in the presence of another person, such as a family member.*

AFCA looked at the necessary factors to cause further steps to be taken:

> *In the present case, there is no information to show the Applicant appeared as particularly vulnerable. The Applicant was unaccompanied when he made the first transfer. The available information also suggests that he would have presented as coherent and able to manage his financial affairs. There is also no suggestion the Applicant presented as mentally or physically unwell. In fact he responded without hesitation with direct answers to questions from the teller and would have presented as a person who knew exactly what they were doing.*
>
> *If any of the above vulnerable factors had been present, I may have found the FSP should have taken steps to delay the transfer. However, as the available information does not show there were any accompanying signs of elder or financial abuse.*

BEHAVIOURAL TRIGGERS INDICATING LOSS AND ASSOCIATED VULNERABILITY TO FINANCIAL ABUSE

LICHTENBERG, 2016

FUNCTIONAL STATUS TRIGGERS	ACCIDENTS AS TRIGGERS
• Moving to senior housing or assisted living • Presentation of self-neglect • Getting lost • Requiring transportation • Family or others accompanying older adult to conduct business transactions • Anyone with an enduring power of attorney in force	• Motor vehicle accidents • Fractures • Falls • Increased frequency of emergency room visits
COMMUNICATION TRIGGERS	**COGNITION CHANGE TRIGGERS**
• Missed office appointments • Repeated or frequent calls to the office • Repeated questions during interactions • Difficulty following directions • Trouble with paperwork	• Patient / family / others report memory problems • Older adult unable to recall financial recommendations from prior visits • Older adult unable to give good recent history of financial decisions / dealings

INDUSTRY EXAMPLE

BANKING

AFCA considered behavioural triggers as red flags in Determination 424946:

> *As the Applicant appeared elderly and dishevelled and withdrew a large and unusual amount of cash while accompanied by a new acquaintance, the FSP should have taken steps to identify, and protect the Applicant from, potential financial abuse. In particular, it should have discussed the transaction with the Applicant separately from Ms C.*

The Provider's Staff suggested they were not concerned for the Applicant's health as he walked into the branch unassisted without a frame or walking stick. the provider's staff member said the Applicant was 'fully coherent and appeared to understand everything asked and what was going on'.

AFCA noted:

> *It is important for bank staff who are concerned about suspected financial abuse to recognise that it is highly unlikely that a vulnerable person will be able to respond meaningfully about the transaction or transactions if they are asked questions in the presence of the other person. Talking to them separately and in private is essential.*

INDUSTRY EXAMPLE

FINANCIAL PLANNING

All financial industry professionals will encounter the issue of capacity, especially those working with older persons:

> *The ageing process can be associated with neurological conditions such as stroke, Alzheimer's disease, dementia and other progressive neurological disorders associated with ageing that cause a decline in financial capacity (Marson 2013). These disorders raise particular challenges for financial planners because new skills and processes are needed when dealing with this demographic (Karp & Wilson 2011). Financial planners must recognise clients with this condition before advising on a range of financial matters (Dew, 2015), which include investing to provide adequate retirement income, funding to live in retirement villages, health care and much more.*

TEALE 2015 Financial Planning Research Journal

RELEVANCE OF FINANCIAL CIRCUMSTANCES

Financial issues are a risk factor for financial abuse. Financial issues include a range of concepts:

- Financial Resilience, Stress/Vulnerability
- Financial Capability
- Financial Literacy
- Literacy and Numeracy
- Financial Wellbeing
- Financial Capacity.

VULNERABILITY

Financial circumstances can be risk factors for **both** victims and perpetrators.

Financial circumstances cover a range of interrelated concepts.

Queensland's Financial Inclusion Plan notes that vulnerability to financial abuse is an outcome of financial stress. Financially resilient older persons are less prone to financial abuse.

Financial circumstances such as stress or financial problems are often linked with financial abuse.

FINANCIAL RESILIENCE

Financial resilience is defined as "the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity" (Muir, 2016). The financial resilience framework was built around four (4) types of resources crucial to financial resilience:

1

ECONOMIC RESOURCES
income; savings; debt management; capacity to raise $2000 in an emergency; and ability to meet cost of living expenses.

2

FINANCIAL PRODUCTS
and services: access to, and demand for bank accounts; credit; and insurance.

3

FINANCIAL KNOWLEDGE AND BEHAVIOUR
knowledge of, and confidence using financial products and services; use and willingness to use financial advice; and proactive financial behaviours.

4

SOCIAL CAPITAL
level of social connections; likelihood of getting financial support from social connections in times of crisis; and the need for and access to community and government support. (Muir, 2016)

FINANCIAL STRESS

Financial stress is a reflection of financial resilience.

Improving financial resilience and reducing financial stress/vulnerability is a key strategy for preventing financial abuse.

FINANCIAL CAPABILITY

Financial capability, the capacity to manage financial resources and use financial services in a way that best suits individual needs and the prevalent social and economic conditions, is a broader concept than that of financial literacy (WHO, Kempson, 2013).

FINANCIAL LITERACY

Financial literacy is the ability to perform simple calculations (e.g., add up purchases and interest rates), and knowledge of financial concepts such as investments, and compound interest. Though some may not apply to older persons with limited education.

Financial literacy includes the ability to make informed judgements and to take effective decisions regarding the use and management of money and is a complex combination of a person's skills, knowledge, attitudes and ultimately their behaviours in relation to money (ANZ/SRC, 2015).

Older persons' financial literacy is a **key risk factor** for financial abuse (Setterlund, 2007).

NUMERACY

Numeracy in Australia includes a range of elements:

- Estimating and calculating with whole numbers
- Recognising and using patterns and relationships
- Using fractions, decimals, percentages, ratios and rates
- Using spatial reasoning
- Using measurement
- Interpreting statistical information. (Australian Curriculum)

High numeracy was found to be a significant predictor of **decreased risk** of financial abuse. Less numerate older persons reported risk of experiencing financial abuse more frequently. Importantly, numeracy remains a significant predictor of financial abuse when in the company of other risk factors, including dependency, physical and mental health, and overall cognition (Wood, 2017).

FINANCIAL WELLBEING

Financial wellbeing is when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future.

It has three (3) interrelated dimensions:

1

MEETING EXPENSES AND SOME MONEY LEFT OVER
includes having an adequate income to meet basic needs, pay off debts, and cover unexpected expenses and having some money left over

2

BEING IN CONTROL
includes feeling and acting in control of your finances, and

3

FEELING FINANCIALLY SECURE
includes not having to worry much about money and having a sense of satisfaction with your financial situation. ([Muir, 2017])

FINANCIAL WELLBEING

Poor financial well-being is a clear **risk factor** for financial abuse. Obviously, financial abuse erodes financial wellbeing. Overall assessments of financial wellbeing can be made by financial counsellors.

A number of **common** risk factors have been identified for older persons being financially vulnerable, including:

- being in low-paid or unskilled jobs throughout one's working life
- being a single woman who has always been on a single, generally lower, income
- divorce or death of a partner
- business failure
- the majority of one's working life occurring before superannuation was compulsory. (ASIC, 2017)

Each of these risk factors are also risk factors for financial abuse and provide red flags for advisers.

FINANCIAL CAPACITY

Financial capacity is fundamental to risks of abuse for older persons. Financial capacity is complicated to define and has been conceptualized in multiple ways (Marson, 2016). Specifically, older persons' **vulnerability** is twofold: (1) the potential loss of financial skills and financial judgment, and (2) the inability to detect, and therefore prevent, financial exploitation (Lichtenberg, 2016). Research is now indicating that impaired financial decision making capacity may be one of the great risk factors for fiancial abuse of older persons (Lichtenberg, 2018).

A recent review of capacity measures by Ghesquiere et al (2017) found that measuring financial capacity is complex and multidimensional. Different measures can be used with different populations and to capture varying aspects of financial capacity (Ghesquiere, 2017).

Importantly, an older person's capacity for financial matters is presumed.

FINANCIAL CAPACITY

Lichtenberg (2016) summarises the issue neatly:

> *The collision between an increasingly older population with high prevalence of cognitive impairment (Plassman et al., 2008) and those seeking to financially exploit them is rapidly increasing. Stiegel (2012) vividly described the fact that financial capacity and financial exploitation are connected. That is, that older adults' vulnerability is twofold: (1) the potential loss of financial skills and financial judgment and (2) the inability to detect and therefore prevent financial exploitation. Dong (2014) argued that accurate assessment of financial capacity, and financial decision-making capacity in particular, is the cornerstone assessment in many cases of financial exploitation.*

INDUSTRY EXAMPLE

KNOW YOUR CLIENT AND RELATED REQUIREMENTS

Being aware of financial circumstances (resilience, capability, financial literacy, literacy, numeracy, wellbeing, capacity) are also applicable within the context of financial advisers’ current statutory obligations such as:

- Corporations Act 2001
- National Consumer Credit Protection Act 2009
- Australian Consumer Law

RISK FACTORS FOR PERPETRATORS

The other side of financial abuse is a **complex picture.** Embedded within the literature is implicit evidence that perpetrators of elder abuse are often involved in polyvictimization (Ramsey-Klawsnik, 2017).

Perpetrators often include family members, carers (formal or informal) or trusted others (Liu, 2017). These persons come within a cohort of close network members (Liu, 2017). Positive interactions with social supports and close networks can be a protective factor against financial abuse while negative interactions within close social networks are an accepted risk factor.

Research shows that mitigating any negative interactions between clients and their close network members has strong **protective value** (Liu, 2017).

RISK FACTORS FOR PERPETRATORS

Like family violence, women are over-represented as victims of elder abuse and men as perpetrators. (Joosten, 2017) However this is **not the complete picture.** While relatively little is known about the experience of elder abuse from the perpetrator's perspective, there has been some identification of risk factors affecting the perpetrator, or person of trust, that may increase the potential to abuse. (Joosten, 2017)

A summary of these **risk factors** for perpetrators of elder abuse include:

- Psychiatric illness or psychological problems
- Substance abuse
- Social isolation and a lack of social support
- Childhood experience of family violence
- Caregiver stress
- Domineering personality traits
- Financial problems and
- Dependency on older person (Joosten, 2017).

RISK FACTORS FOR PERPETRATORS

Carer stress and burden are recognised risk factors for elder abuse. Initially it was thought that elder abuse was largely due to frustration caused by the stress and burden of caregiving, and ignorance of the rights and needs of the older person (Schiamberg, 1999; Quinn, 2004).

However, recent research and the experience of service providers who support those experiencing elder abuse found that the caregiver model did not explain the majority of cases of elder abuse (Acierno, 2010; Brandl, 2012; Joosten, 2017)

The generational tensions that locate within financial abuse are well known to researchers. (Darzins, 2009; Wilson, 2009) For example, “Inheritance impatience” or “early inheritance syndrome” are known drivers of financial abuse. (Susskind, 2008; Miskovski, 2014)

PERPETRATOR PROFILES

Others types of relationships/profiles that can be abusive:

ROMANTIC FRIENDS AND COMPANIONS

Sometimes individuals who have become close to the older person are suspected or are alleged to have committed financial abuse – often by family members who are concerned that their relative is being financially abused under the guise of romantic or companionable interest.

FRIENDS, HANDY-MEN AND ACQUAINTANCES

Financial abuse might also be committed by friends and acquaintances by offering services around the home informally, under the guise of being helpful, but in return for substantial, often increasing, amounts of money. This could range from small-scale errands, through small jobs turning into ever bigger ones, to major building and gardening work

PERPETRATOR PROFILES

Others types of relationships that can be abusive recognised by literature include:

FRIENDS IN GROUP/SUPPORTED LIVING

While most of the examples of financial abuse described by the research informants were located within the family, supported accommodation also proved to be a risky environment. Voluntary organisation professionals working in this field described cases, sometimes referred to as ‘mate crime’ (Landman, 2014)

STRANGERS

Many studies of financial abuse relate to ‘scams’ by strangers – either in person at the door (Phillips, 2017) or online/by post

INDUSTRY EXAMPLE

NEW ACQUAINTANCES

In Determination 424946, AFCA noted the red flags that are raised by the presence of new acquaintances:

> *A bank should be in a position to recognise signs that a customer may be under the undue influence of another party, including where the customer is elderly or vulnerable and conducting an unusual transaction in the presence of a new acquaintance.*

And if a third party is seeking to conduct business, the FSP's duty is a positive one, described in Determination 408496:

> *Case law has held that if a financial services provider has reason to believe that the account is being abused by a signatory, it should question an apparently valid mandate. Then there is a "duty" on the FSP to question mandate since it has an obligation to safeguard the interests of the beneficiary of the account. It is common for a financial services provider to question an instruction by an authorised signatory who is not the "owner" of the account.*

PERPETRATOR PROFILES

It is important for advisers to appreciate that perpetrator's **actions** fit a range of behaviours:

- Ageism in the community
- Changing social norms
- A sense of entitlement
- Temptation of opportunity
- Unintentional abuse
- Intentional abuse

(CPA Australia and Seniors Rights Victoria)

BEFORE WE LEAVE

REFLECTION

Think about risk and vulnerability, victims and perpetrators.

Think about:

- How many of those risk factors appear in older persons you see day to day?
- How many of those vulnerabilities appear in older persons you see day to day?
- Do you recognise the risk factors in those you think may have been abused in the past?
- Do you see any parallels between needing to recognise signs, symptoms, risks and vulnerabilities and your professional or statutory obligations, such as to know your client?
- Do you recognise the risk factors in those you think may have been perpetrators in the past?
- Do you recognise any of those perpetrator behaviours or profiles?