

# Professional Financial Decision-Making

## RESOURCES THAT NATIVE ELDERS SHOULD KNOW ABOUT

How are financial decisions made in your household?

As we age, we experience a wide variety of events, many are universal to everyone. Anticipated events can be planned for, such as finding a home or raising a family. Unexpected events, such as illness or loss can take a toll emotionally and financially. Understanding this cycle of life and how these changes may impact us can help us prepare and weather the storm.

Making good decisions about how you manage your money, and debt, is especially important for Elders because:

- most Elders are no longer making money (accumulating), but instead are in the “decumulating” phase of life;
- financial mistakes can be costly as Elders have fewer options. For example, employment opportunities may be limited for older workers;
- a number of factors put Elders at higher risk of becoming targets of financial scams. (1)  
(see **NICOA's Fact Sheet on Fraud**)

Becoming “financially literate” can help you retain control over your money and make good decisions when seeking assistance.

Financially Literate: having the knowledge and skills to make effective and informed money management decisions.

### **MANAGING DEBT**

While many Elders may have fewer options to accumulate more money, they have the option to control how much debt they accumulate. However, the 65-plus age group is currently the fastest growing in terms of bankruptcy filings. Studies show credit card interest and fees are the most cited reasons for bankruptcy filings by Elders. (1)

Paying high interest rates and unnecessary fees can derail efforts to stretch your retirement dollars. There is evidence to suggest that older Americans pay higher rates and fees than other age groups. For example, 75-year-olds pay about \$265 more annually than do 50-year-olds for home equity lines of credit. If you must pay on credit or take out a loan, be aware and shop for the best rates and the lowest fees. (2)

## GETTING ADVICE ON MANAGING MONEY

Be sure that **your** best interests are at the center of **your** financial decisions. If you decide to work with a professional to make investment or retirement fund decisions on your behalf, look for an advisor that acts under "the fiduciary standard."

Advisors who are subject to the fiduciary standard are required to put their client's interests above their own. For instance, if an advisor has two options for investing, each with different fees, under the fiduciary standard they must recommend the option with the least cost to the client – even if it means they or their company will make less money.

## QUESTIONS TO ASK WHEN SELECTING A FINANCIAL ADVISOR

As experts suggest, you should know what kind of advisor you are working with and what their level of accountability is by asking these questions:

- Are you acting under the fiduciary standard? Can you put that in writing?
- Are you a registered investment adviser? Which licenses do you have? Can I get a copy of your Form ADV? (4)
- If you are not acting as a fiduciary, are you willing to fully disclose all conflicts of interest and the amount of compensation received from advice and products recommended? (3)

## LEGAL RESOURCES

For free legal services for people over 60, contact national Eldercare Locator at 1-800-677-1116 or [www.eldercare.gov](http://www.eldercare.gov).

For free legal services for low-income people, visit the website of the Legal Services Corporation at [www.lsc.goc/find-legal-aid](http://www.lsc.goc/find-legal-aid).

To find fee for service lawyers in your state, visit [www.findlegalhelp.org](http://www.findlegalhelp.org). This website is sponsored by the American Bar Association and provides information about finding a lawyer in each state.

To help become financially literate, check out NICOA's resources for financial equity and their Money Smart Training for Native Elders.

## SOURCES

- 1) Lusardi, A. "Financial Literacy and Financial Decision-Making in Older Adults." Journal of the American Society on Aging, 2012.
- 2) Agarwal, S. et al. "The Age of Reason: Financial Decisions over the Life-Cycle with Implications for Regulation." Brookings Paper on Economic Activity.
- 3) Steiner, S. "How the Fiduciary Standard Protects You" Bankrate.com.
- 4) Form ADV enables the Securities and Exchange Commission to obtain information from and about exempt reporting advisers

*This fact sheet is not intended to provide legal advice or serve as a substitute for your own legal counsel.*

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