KNOWLEDGE MODULES

4 OF 7

MODULE 4

The Impacts of Financial Abuse

1 2 3 4 5

BEFORE WE BEGIN

REFLECTION

Before we begin this module take a moment to think about this statement from Breckman et al (2017) on the impacts of elder abuse in the United States:

> *… approximately 73 million adult Americans have had personal knowledge of a victim of elder mistreatment and approximately 44 million adult Americans have become involved in helping a victim deal with their mistreatment situation. Simply knowing about an elder mistreatment situation is generally highly stressful for over 32 million adult Americans, & providing help to the victim in dealing with their mistreatment exacerbates levels of personal distress.*

Think about how this might impact on community and society given how many persons experience elder abuse.

OVERVIEW

THE IMPACTS OF FINANCIAL ABUSE

Understanding the impacts of financial abuse means being aware of the consequences of financial abuse on individuals, services and society.

Understanding the impacts of financial abuse allows advisers to see the consequences of actions within their control that they take or fail to take that lead to financial abuse.

This module includes the following topics:

- Individual impacts of financial abuse
- Broader impacts of financial abuse

LEARNING OUTCOMES

include gaining knowledge about how financial abuse impacts on older persons, community and society.

INDUSTRY EXAMPLE

THE IMPACTS OF FINANCIAL ABUSE

The FASEA Draft Code of Ethics notes that:

CLIENT CARE

Standard 4:

You may act for a client only with the client's free, prior and informed consent. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.

Standard 5:

All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances.

You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.

Standard 6:

You must take into account the broad effects arising from the client acting on your advice and actively consider the client's broader, long-term interests and likely circumstances.

Advisers are therefore expected to take into account the impacts of financial abuse.

INDIVIDUAL IMPACTS OF FINANCIAL ABUSE

The impacts of elder abuse are **stark** and include **increased mortality** and a range of **adverse health outcomes** including a higher prevalence of depression and dementia (Bitondo, 2000).

Losing financial assets to abuse is harmful for people at any age, but older persons are at a stage of life where recouping financial losses may be especially difficult.

Additionally, financial abuse takes a **toll** on older persons' physical and psychological health, and increases risk for institutionalisation, hospitalisation, and mortality (Liu, 2017).

Financial abuse can have **serious impact** on older people financially. Even a small amount of financial abuse can be catastrophic, especially to those who are on limited incomes.

It is more difficult for older persons to **recover** from financial abuse than others because they have less time and opportunity to work and produce investment growth; recovering from financial abuse may also mean that assets like houses may have to be sold.

INDIVIDUAL IMPACTS OF FINANCIAL ABUSE

These can include **feelings** of betrayal, feelings of distress, especially if a house or other asset need to be sold, embarrassment, loss of self-esteem and confidence in one's own judgement, denial, fear, self-blame, social isolation, and the loss of confidence to live independently.

These emotional effects can also make older people more **vulnerable** to further abuse (Davidson, 2015).

Disputation over control of older person's lives and their wealth leads to family conflict and ultimately to divided families.

There is also a range of **emotional implications** that stem from financial abuse and these can have significant impact on older persons.

BROADER IMPACTS OF FINANCIAL ABUSE

The **broader impacts** of financial abuse are complex but deeply felt within the community and society.

The impacts on **health, care, welfare and social systems** are significant.

The National Ageing Research Institute (NARI) noted the **cost implications:**

> In the US the annual direct healthcare costs associated with injuries due to elder abuse have been estimated to be USD 5.3 billion.
> In Australia, annual hospital admission costs due to elder abuse were estimated to be between AUD 9.9–30.7 million dollars in the 2007/2008 financial year (Choo, Hairi et al. 2013). These figures only relate to health costs and do not take into consideration other costs borne by the individual victim and the community (Joosten, 2017).

BROADER IMPACTS OF FINANCIAL ABUSE

Australian Institute of Family Studies (AIFS) research on elder abuse provided a cohesive picture of the issues for and within Australian society. Research shows older persons hold **substantial wealth.**

- One estimate indicates that the total household wealth subject to transfer by bequest (largely due to high rates of home ownership) may be as high as $70 billion in 2030 (Kelly, Harding, AMP, & NATSEM, 2003), up from $8.8 billion in 2000 (Kaspiew, 2016)
- The introduction of the Superannuation Guarantee system in 1993 has seen substantial growth in levels of superannuation holdings, which in turn has increased the amount of potentially heritable assets (Kaspiew, 2016)
- the socio-economic profile of the baby boomer generation means that the emerging generations of older Australians have much greater levels of assets than those that preceded them (Kaspiew, 2016)
- The concept of “inheritance impatience” has been developed, meaning: “a situation where family members deliberately or recklessly prematurely acquire their ageing relatives’ assets that they believe will, or should, be theirs one day” (Miskovski, 2014)

BROADER IMPACTS OF FINANCIAL ABUSE

Researchers have highlighted the tensions that arise in relation to wealth preservation or dispersal, the care needs of older generations and the wealth transfer expectations of younger generations (Darzins et al., 2009; Wilson, Tilse, Setterlund, & Rosenman, 2009):

> *...older people's assets can be a site of competing interests. Families have an interest in protecting potential inheritances; the market has interests in promoting lifestyle, care and accommodation options, as well as financial products, such as reverse mortgages; the state is concerned with self-provision and financial independence in older age, and, with service providers, also has an interest in preserving assets to pay user charges for health, care and accommodation in older age.*

There has been erosion in the concept "of a strong and supporting family structure" and the emergence of a shift away from 'self-sacrifice' to 'self-interest' in relation to attitudes to obligations by adult children.

There is also a realisation among older persons that their resources will need to remain available to fund their own care and would probably be exhausted by the end of their own lives. (Kaspiew, 2016)

BEFORE WE LEAVE

REFLECTION

Think about the impacts of financial abuse on:

- The older person
- The older person’s family
- The older person’s supporters and carers
- The older person’s workplace
- The broader community
- Institutions and society
- To any other persons to whom we owe ethical duties such as beneficiaries of wills etc