KNOWLEDGE MODULES

6 OF 7

MODULE 6

Key Decision Making Areas

1 2 3 4 5

BEFORE WE BEGIN

REFLECTION

Before we begin this module take a moment to think about this statement from Ghesquiere's (2017) review of Financial Capacity measures:

> *Another element of financial capacity is decisional capacity; here, the emphasis is on the ability to make financial decisions. Components include choice (the ability to make a choice about a financial transaction/situation); understanding (the ability to understand information about a financial transaction/situation and associated choices about the transaction/situation); appreciation (the ability to appreciate the personal consequences of different choices about the financial transaction/ situation); and reasoning (the ability to reason and think logically about different choices presented by a financial transaction/situation). Others have conceptualized financial decision-making under a person-centered model, which focuses on the specific individual and their actual financial situation, and their decision-making abilities and judgment in relation to their specific history. The focus here is on ability to make decisions free from exploitation or influence and that are consistent with prior values.*
> *(References removed)*

OVERVIEW

KEY DECISION MAKING AREAS

This module includes the following topics:

- Financial Decision Making
- The Sweet Spot
- The Life Course
- Family Influence
- Key Decision Making Areas
- Obstacles to Self Protective Action

LEARNING OUTCOMES

include seeing how key decision making is linked with financial abuse.

FINANCIAL DECISION MAKING

Financial decisions in older life bring particular challenges and gravity.

Financial decision making has features that "make consumer choices difficult" and are "essential for participation in the modern economy" (Kell, 2016).

Additionally, financial losses in later life "have particularly significant ramifications for seniors given their very limited ability to improve their financial position" (Gibson, 2008).

For these reasons "specialised information and education strategies for older people may be useful in helping them to recognise and deal effectively with legal problems." (Coumarelos, 2012).

THE SWEET SPOT

A number of researchers have mapped the trajectory for neurological aging, noting that older people tend to have less **'fluid intelligence'** (including working memory and future planning) and increased '**crystallised intelligence**' e.g. experience or knowledge of oneself or the world (Spreng, 2016; Agarwal 2009).

This means that middle aged adults may be "at **a decision making sweet spot:** they have substantial practical experience and have not yet suffered significant declines in fluid intelligence" (Agarwal, 2009). This means that whilst older adults may have reduced financial skills and fluid cognitive abilities to adapt to the changing financial decision making landscape that inevitably arrives with older age, they "are able to bring lived experience to decisions to better identify and potentially avoid longer-term risk" (Spreng, 2016).

Research in financial literacy, behavioural economics and social marketing also support the conclusion that for education to work, it needs to occur close to a relevant decision, and supports must be in place to convert the information into behavioural change (West, 2012).

THE LIFE COURSE

Retirement “has been viewed either as a transition that is accompanied by psychological distress, or as a time of continued, or even enhanced, subjective well being” (Kim, 2001). During this significant life transition, economic resources and social relationships will play a key role in an older person’s wellbeing (Kim, 2001).

Using an **applied ecology approach,** life transitions such as retirement must be placed in their larger context, including the motivation for retirement, life circumstances and the interdependent nature of decision making around retirement given that “individuals frequently base their decision to retire on changes in others’ health or retirement plans, and the retirement experience is played out in a network of shifting social relations” (Kim, 2001).

Retirement is a **relational transition** where experiences and decision making is particularly influenced by close networks, and in particular family (Kim, 2002).

FAMILY INFLUENCE

Family is “the **most influential** group that develops individuals’ financial behaviours” (Kim 2017). Family dynamics are an important factor in understanding the full picture of circumstances that may lead to action or inaction on key financial decisions.

Kim (2017) suggests that it is **essential to understand** and acknowledge that financial decision making arises within a ‘unique family financial decision system’ before intervening. The influence of family attitudes towards financial goals, and the influence of spouses and adult children must be taken into account (Kim 2017).

An **applied ecology approach** views individuals as embedded within the family environment and requires attention to be given to how the individual interacts with their family, how the interrelationship influences functioning over time, for example how family financial values and beliefs may influence individual values and beliefs, and visa versa (Greenfield, 2011).

FAMILY INFLUENCE

Kim (2017) suggests that, “individuals may **choose inaction** instead of negotiating differences, sometimes making less effective decisions to avoid conflicts with family members” (Kim, 2017).

Older persons may also have **established entrenched attitudes** towards money. Education levels and experience of financial matters, attitudes towards seeking financial information and advice, will also determine how adults influence “preferences and ability in financial decision making” (Lamla, 2013).

Whilst some children may eventually increase the family vocabulary around money management, it is also likely that some children will grow up to reflect these beliefs and practices in their influence on their parents in older age. **Information sharing** among family members is therefore a key area of influence (Lamla, 2013).

REFLECTION

Take a moment to think about this statement from [Tilse, 2011]

> *Financial resources are central to older people exercising choice in living and care arrangements. Access to and control over decision making about money and property in older age also have psychological, cultural and social meaning, provide security, and symbolise continuing independence. Decision making about how assets are preserved or spent generates complex issues for older people, family members, formal carers, professionals and service providers…*

Think about how your involvement and engagement with older persons has included discussions about decision making.

KEY DECISION MAKING AREAS

The Financial Protections Service has identified six **key decision making areas** for older persons. These were drawn from the Financial Protections Inquiry, the Australian Law Reform Commission's Elder Abuse – A National Legal Response Final Report and the extensive practice knowledge of the financial counsellors, social workers and lawyers who have been consulted during development.

The decision-making areas include providing information and referrals at **key teachable moments** and proactive action areas where it is anticipated financial information and advice may increase financial resilience and be protective against financial abuse in the lives of older Queenslanders.

The Queensland Government's Parliamentary Inquiry into the adequacy of existing financial protections for Queensland's seniors (Financial Protections Inquiry) set out relevant research, conclusions and framework for several key areas and methods of financial literacy delivery by the Financial Protections Service.

KEY DECISION MAKING AREAS

Key Decision Making Areas identified as central to the intersection between maintaining financial autonomy, developing financial resilience and vulnerability to financial abuse include:

1. ACCOMMODATION
2. MONEY PLANNING
3. RETIREMENT PLANNING
4. ESTATE & ADVANCED CARE PLANNING
5. CO-LIVING
6. MONEY AGREEMENTS

OBSTACLES TO SELF-PROTECTIVE ACTION

In taking a **person-centred approach,** the Financial Protections Service acknowledges obstacles to older persons taking self-protective action by making relevant decisions.

These **obstacles** include:

- INERTIA
- CONFUSION EXCLUSION
- SELF EXCLUSION
- SOCIAL EXCLUSION
- FINANCIAL EXCLUSION

OBSTACLES TO SELF-PROTECTIVE ACTION

INERTIA

Inertia, brought on by the need to make increasingly important financial decisions in increasingly complex areas. Inertia has been identified as a key obstacle to motivating people to act protectively in relation to their finances (ASIC, 2011; Taylor, 2014).

Barriers include “information and choice overload, complexity and uncertainty, time factors and pressures, over (and under) confidence, self-control and ‘framing’ (i.e. how information is presented)” leading to avoidance and inertia (ASIC, 2011).

For many older persons, the **cumulative effects** of “inequality and increasing vulnerability” mean that they require support from professions who are trained in effective communication and understanding psychosocial factors that lead to decision making inertia. (Taylor, 2014).

OBSTACLES TO SELF-PROTECTIVE ACTION

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CONFUSION EXCLUSION

People who have lower levels of educational attainment and by extension, poorer financial literacy skills are more likely to be subject to confusion exclusion – i.e. a preference to disengage with the financial market rather than be intimidated by the purchase or to “voluntarily exclude themselves from the financial market due to their poor understanding of the benefits associated with owning financial products and/or because they do not know that the financial product exists” (Salignac, 2015).

OBSTACLES TO SELF-PROTECTIVE ACTION

SELF EXCLUSION

Older persons can “voluntarily disengage from the financial market based on perceived financial capabilities and personal preferences – a process also referred to as self-exclusion” (Salignac, 2015).

For example, the ANZ Survey and the National Financial Literacy Strategy both indicate that while older persons tend to track finances closely, they are less likely to have a financial plan or to have examined financial investment options (Financial Protections Inquiry, 2015). This is despite the fact “the Age Pension alone will not deliver a comfortable standard of living to older retirees” with the gap between the pension and expenditures being “very substantial when it comes to the comfortable standard of living” (the Association of Superannuation Funds of Australia, 2014).

Older persons who have **limited** incomes and financial resources may self-exclude from obtaining financial products or services for fear of being rejected by mainstream services or because they “think they do not have the financial resources to manage them”(Salignac, 2015).

OBSTACLES TO SELF-PROTECTIVE ACTION

SOCIAL & FINANCIAL EXCLUSION

Social exclusion is defined as “a progressive process of marginalization leading to economic deprivation and various forms of social and cultural disadvantage” (Salignac, 2015).

Financial exclusion is most commonly defined as “the practices preventing individuals from accessing appropriate and affordable financial services and products such as a transaction account, general insurance, and a moderate amount of credit” (Salignac, 2015). Financial exclusion puts older persons at risk of poor social outcomes, including with respect to financial security.

BEFORE WE LEAVE

REFLECTION

Think about your experience in advising older persons in the key decision areas.

Think about:

- How many of these financial decision making areas have you had involvement with?
- Do any of the areas have primacy within your practice?
- Have you noticed the impact of family influence in financial decision making?
- Have you noticed any obstacles to financial decision making including those noted?
- Can you see how examples of financial abuse can arise in each of the key areas.