

# Report on the FINRA Securities Helpline for Seniors™

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## Introduction

On April 20, 2015, FINRA launched a significant new initiative—the FINRA Securities Helpline for Seniors (HELPS™)—to broaden its investor protection efforts. As part of FINRA’s commitment to the protection of senior investors,<sup>1</sup> the Helpline is intended to be the “go-to” resource for senior investors with securities-related questions and concerns. FINRA’s focus on senior investors has steadily increased over the past decade due to growing investor protection concerns and the unprecedented demographic shift underway in the United States, as the “Baby Boom” generation (those born from 1946 to 1964) transitions from the workforce to retirement. In 2010, the U.S. population over age 65 was approximately 40 million; by 2030 it is projected to grow by 80 percent to 72 million people.<sup>2</sup> This presents significant investor protection challenges. The effects of aging can diminish an individual’s ability to navigate the complexities of financial services, making seniors a prime target for financial exploitation, fraud and deception.<sup>3</sup> Compounding these challenges, once harmed financially, seniors typically have little or no ability to rebuild vital lost assets.

This year-end report provides an overview of the Helpline’s operation since its April launch, describes how the Helpline works and complements FINRA’s broader regulatory programs, and highlights situations where the Helpline has made a real impact in seniors’ lives. The report alerts investors and firms to common scams that target senior investors. Finally, the report shares effective practices that firms should consider.

## Questions/Further Information

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## Seniors: Targets for Financial Exploitation

### Seniors are a large and growing population

- ▶ The number of people 85 years and over is projected to increase by slightly over 50 percent between 2012 and 2030, and a further 100 percent by 2050.<sup>4</sup>

### Seniors have money

- ▶ In 2014, retirement assets of those between 65-74 years old were estimated at \$3.5 trillion.<sup>5</sup>

### Some seniors are vulnerable

- ▶ Estimates are that mild cognitive impairment affects more than 20 percent of adults over age 70 without dementia, and that 5.1 million people over age 65 suffer from Alzheimer's disease.<sup>6</sup>

### Seniors may chase yield

- ▶ Historically low interest rates have prompted some income-seeking investors, including seniors, to chase yield, and this may increase their vulnerability to certain scams.

### FINRA Securities Helpline for Seniors

- ▶ 1-844-57-HELPS (844-574-3577)
- ▶ [www.finra.org/seniorhelpline](http://www.finra.org/seniorhelpline)

## FINRA and Senior Investors

The Helpline builds on FINRA's longstanding commitment to protecting senior investors. Over the years, FINRA has used a range of regulatory tools to achieve this objective. Through our examination and enforcement programs, we assess compliance with investor protection rules, and take disciplinary action against firms or individuals who violate those rules.

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### The Helpline builds on FINRA's longstanding commitment to protecting senior investors.

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For nearly 10 years, FINRA and the SEC combined efforts to address senior-related issues through the National Senior Investor Initiative. During that time, FINRA and the SEC have published joint reports, including a 2007 report addressing "Free Lunch" sales seminars, a 2008 report on compliance and supervision at firms serving seniors, and an update to that report in 2010. In 2015, FINRA and the SEC published another joint [report](#) addressing a broad range of senior-related regulatory topics—including supervision, account reviews, account documentation, the use of senior designations, customer complaints and retail communications—to facilitate a thoughtful analysis with regard to firms' existing policies and procedures related to senior investors and whether these policies and procedures could be further refined.

We also strive to help investors—including senior investors—educate and protect themselves through a range of online tools and Investor Alerts, and more broadly through the FINRA Investor Education Foundation. The Foundation's mission is to provide underserved Americans with the knowledge, skills and tools necessary for financial success throughout life, including in retirement years. Since its establishment in 2003, the Foundation has played a central role in FINRA's senior investor education and outreach efforts. The Foundation employs national, state and grassroots partnerships to develop and distribute fraud prevention resources, and train consumers, law enforcement professionals and victim advocates. Since 2008, the Foundation has touched hundreds of thousands of consumers with essential fraud prevention messages, trained more than 900 law enforcement officers from over 400 agencies, distributed two public television documentaries and equipped thousands more stakeholders to fight fraud in communities nationwide. The Foundation continues to engage in research to understand the prevalence, mechanics and impact of investment fraud, whether older consumers are more heavily victimized, and behavioral and neurological risk factors that put older consumers at greater risk.

## Helpline Operations

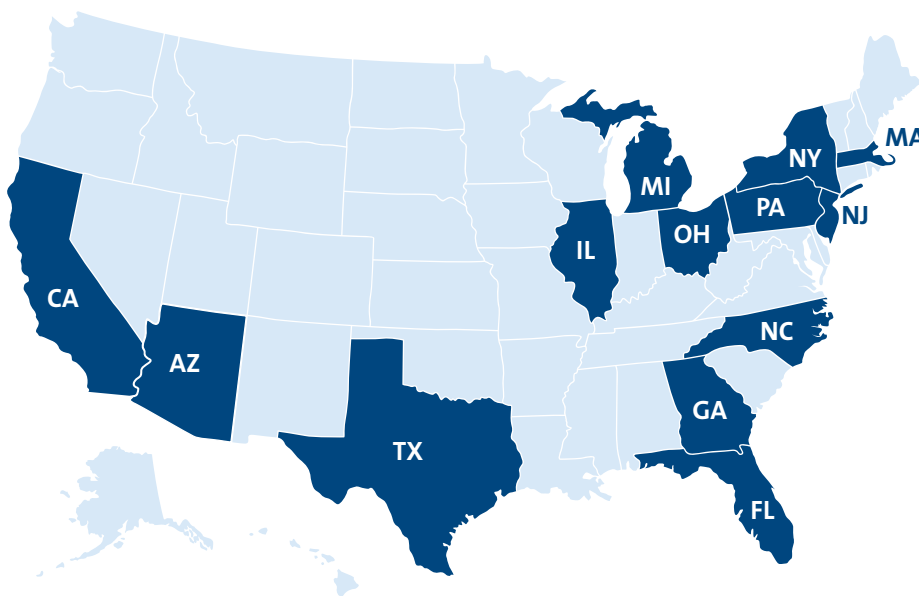
Since launching on April 20, the Helpline has received 2,545 calls (through December 20). The Helpline is staffed with dedicated FINRA personnel to provide personalized, outcome-oriented assistance to seniors. With an average call duration of nearly 25 minutes (and an initial wait time of less than two minutes), Helpline staff engage with callers and provide the personal attention necessary to get to the root of their questions or concerns.

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Since launching on April 20, the Helpline has received more than 2,500 calls.

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The volume and variety of calls—as well as their geographic and demographic distribution—show that FINRA is helping address a significant and widespread investor need. While the average age of callers to the Helpline is 70 years old, it has received calls from individuals ranging in age from 22 to 100 years old. The Helpline has received calls from residents of all 50 states, the District of Columbia, Puerto Rico, Canada, Scotland, Vietnam, Israel, Ireland and the United Kingdom. To date, the work of the Helpline staff has resulted in firms voluntarily reimbursing individual investors nearly \$750,000. Some firms have established designated points of contact to work with Helpline staff to streamline the process of resolving investor issues and have expedited their own reviews of potential misconduct by registered representatives.



Highest number of callers by state.

## Helpline in Action

### Fast Action

An elderly investor's accountant called the Helpline after finding a suspicious document among his 86-year-old client's tax receipts. FINRA launched an investigation and discovered the client's broker had borrowed \$220,000 in 2012 and was repaying her \$1,200 every month.<sup>7</sup> FINRA notified the broker's firm and within 10 days the firm terminated him. Separately, FINRA barred the broker for failure to cooperate with its investigation of his activities. The firm, previously unaware of the loan, made the client whole on the remaining balance owed and included a nominal interest amount. An effective practice that might prevent this type of incident is for firms to educate their clients to contact a supervisor or compliance officer when they have concerns or questions about the conduct of their registered representative.

## Helpline in Action

### Correcting a “System Glitch”

An elderly investor called the Helpline for assistance with a trade error issue. The investor claimed she placed a trade with her registered representative, but did not receive a trade confirmation. After nearly three weeks, she called to find out what happened with the trade. The firm told her that it had not executed the trade because of a “software glitch.” The firm then executed the trade on the day of her follow-up call, but the delay resulted in an \$8,000 loss for the investor. The firm initially offered her \$4,000 in reimbursement. Helpline staff contacted the firm to inquire about the discrepancy in the reimbursement the firm offered. Following FINRA’s intervention, the firm provided the client with the execution price she deserved, resulting in a credit to her account of over \$9,800.

Call topics received to date cover a spectrum of financial services-related products and issues. Common products include variable annuities, mutual funds, real estate investment trusts and, most recently, energy sector securities. Issues range from how to review an investment account statement and access investor tools and resources (such as BrokerCheck<sup>®</sup>), to assistance with lost securities, to more troubling concerns of potential unsuitable recommendations, fraud, or illegal activity involving brokerage accounts and investments, as well as abuse and exploitation of seniors by persons outside of the securities industry.

Staff seeks to resolve callers’ issues as quickly as possible. Achieving a resolution frequently requires follow-up with the caller for additional information and, at times, documentation. In October and November, Helpline staff conducted more than 2,000 follow-up calls with investors, firms and third parties to pursue and resolve investor inquiries. When our initial assessment suggests serious misconduct by a securities industry professional, FINRA opens an investigation. FINRA also refers to federal and state agencies those matters that fall outside its jurisdiction—and has made over 75 such referrals to date. Separately, FINRA has made 50 referrals to Adult Protective Services (APS) in those instances where staff observed indications of abuse or exploitation. For other non-investment questions, staff frequently refers callers to AARP.

### Lessons for Investors

In addition to directly helping individual seniors, FINRA analyzes Helpline call data to identify patterns or trends that inform our regulatory outreach and programs. For example, over the first two months of the Helpline’s operation, FINRA received over 20 calls on transfer on death (TOD) accounts.<sup>9</sup> FINRA recognized the challenges that investors and their families were having with these accounts and rapidly issued an Investor Alert, [\*“Plan for Transition: What You Should Know About the Transfer of Brokerage Account Assets on Death.”\*](#) In it, FINRA offers practical advice for advance preparations to facilitate the transfer of assets to heirs. The Alert also provides information regarding the effect that account ownership structures have on estate transitions, tips for determining the appropriateness of TOD accounts, information for heirs and beneficiaries including possible required documentation, means of addressing estate transfer problems and other helpful information. Firms are encouraged to take opportunities to discuss various account features like TOD with clients to help them facilitate quicker estate transfers of assets.

Another common theme in calls to the Helpline is lottery scams. In response to this continuing concern, FINRA issued an Investor Alert, "[Sorry, This One's Not a Winner: Don't Get Fooled by a Lottery Scam](#)." This Alert warns about scams where the target is told he or she can claim lottery "winnings" after pre-paying required taxes or fees. Of course, there are no "winnings," only money the victim loses to the scam artists. FINRA warns investors to be suspicious of all requests for upfront payments with the promise of a windfall later. If contacted by one of these scam artists, investors should contact FINRA or the Federal Trade Commission (FTC). The Alert also provides links to additional resources, including lists of known scams and information from the National Center for Victims of Crime. Firms should consider sharing the latest information about scams and frauds with clients to help them protect themselves. Firms can also help protect their clients by monitoring for unusual fund transfer requests in an effort to stop transfers to these lottery fraudsters.

The Helpline has also received many calls from seniors who were convinced to invest in binary options based on promises of large profits. Often, Helpline callers report their funds were not deposited into their account and requests to have their money returned went unheeded. To make matters worse, the fraudsters will frequently try to get the senior to send more money as a "recovery fee" to return their initial investments. FINRA issued an Investor Alert, "[Binary Options: These All-Or-Nothing Options Are All-Too-Often Fraudulent](#)." In it, FINRA warns investors that binary options trading is typically a high-risk strategy, and that binary options trading on non-U.S. company platforms is often fraudulent. Before investing in binary options, investors should exercise utmost caution and thoroughly vet the firm offering the options through the Commodity Futures Trading Commission (CFTC) ([www.smartcheck.cftc.gov](http://www.smartcheck.cftc.gov)), SEC ([www.sec.gov](http://www.sec.gov)) or FINRA's BrokerCheck ([brokercheck.finra.org](http://brokercheck.finra.org)). Like the lottery scam issues, firms are encouraged to monitor for unusual client fund transfer requests and help educate their clients about binary options if they express interest in this type of investment.

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Firms can help protect their clients by informing them about known scams.

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## Helpline in Action

### Recovering a "Lost" Account

An elderly investor called the Helpline to seek assistance in locating her "lost" investment account. The woman knew she had an account, but had not received statements from, or spoken with, her broker in a long time. She was not able to find which firm currently held her account. Helpline staff conducted additional research and found the woman's registered representative had been barred from association with a broker-dealer. Staff then contacted the clearing firm after finding that the elderly woman's broker-dealer had gone out of business. Working with the clearing firm, FINRA staff located the woman's account, explained to her how she could reclaim her assets and put her in contact with the clearing firm to facilitate the recovery.

## Helpline in Action

### Stopping Harm Before it Occurs

The Helpline works best when it prevents harm from occurring and BrokerCheck is a vital tool in this regard. In one instance, the son of a senior called the Helpline because he was concerned about a person soliciting an investment from his elderly father. Helpline staff assisted the caller in performing a BrokerCheck search of the person and found that FINRA had barred him from association with any FINRA member firm. With this information, the son stopped his father from making a \$110,000 “investment.”

Tax schemes are yet another scam frequently used to target senior investors. Seniors are among the more than 700,000 people who have reported receiving telephone calls from persons claiming to be an IRS agent since 2013. Not coincidentally, a surge in calls from IRS impersonators was reported nationally around the recent October 15 tax deadline, and this affected the Helpline too. Callers reported being contacted by individuals posing as IRS agents and demanding payment for taxes owed. In response to the surge, FINRA issued an Investor Alert, “[Tools of the Fraud Trade: Phones and Emotions](#),” to warn investors about this scheme and provide guidance and IRS contact information. The IRS has repeatedly stated that its staff will not contact taxpayers via telephone to demand payment. Thus, investors should ignore calls from someone claiming to be an IRS investigator. Firms can help protect their clients by informing them about tax-related and other known scams.

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### FINRA reminds investors to use BrokerCheck to check the background of individuals who solicit their money.

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Finally, FINRA reminds investors to check the background of individuals who solicit their money. FINRA’s BrokerCheck system can provide valuable information about individuals who have worked in the securities industry and alert investors to disciplinary problems. Investors should be on high alert if they are solicited by a broker or advisor who a regulator has barred from the securities industry. A bar represents the most serious sanction against a securities professional and may be indicative of a person more likely to engage in misconduct or outright fraud. FINRA has also seen instances where barred individuals resurface in another part of the financial services industry or operate without required registrations and licenses.

## Effective Senior Protection Practices at Firms

The Helpline has been a source of valuable information not only for identifying common issues affecting seniors, but also for identifying effective practices that firms use to protect seniors. Here, we share effective practices that firms can implement to protect seniors based on our Helpline experience combined with observations from FINRA's examination program.

### Establish a Trusted Contact at Account Opening

Firms should consider using the account opening process to obtain the name and contact information for a trusted person the firm can contact if firm representatives have concerns regarding the personal or financial well-being of the investor. This prior authorization enables the firm to contact the trusted person on the account owner's behalf without having to navigate potential privacy-related issues. It is important for firms to keep this information up-to-date. (See discussion below on FINRA's related rule proposal.)

### Protect Investors From Abuse by Registered Representatives Occupying a Position of Trust

Many registered representatives develop close and trusted relationships with their clients. While not a problem in and of itself, a close relationship can become problematic if a registered representative abuses the relationship to take advantage of a client. In this regard, some firms have prohibited registered representatives from serving as a power of attorney (POA), trustee or in a similar capacity for a client. Firms that have not implemented such prohibitions should consider adopting strong policies and supervisory procedures to protect clients who intend to—or do—grant POA, trusteeship of a client trust, or non-managed account discretionary control over their assets to any person associated with the firm. Effective practices include requiring registered representatives to provide written notification to, and receive approval from, their firm prior to becoming a POA or trustee for a client. If the firm chooses to approve such an arrangement, the firm should consider periodically contacting the account owner to review account activity for assurance that the broker's actions reflect the client's interests and wishes. Including training on these policies in annual continuing education training for registered representatives is another effective practice. Moreover, firms could require signed attestations from employees disclosing arrangements or relationships with clients that provide the employee with access to, authority over or a beneficial interest in client assets.

## Helpline in Action

### Broker Abusing Position of Trust

An anonymous tipster called the Helpline with allegations that a broker was taking advantage of an elderly client by using his influence to be named executor and primary beneficiary of the elderly investor's approximately \$3 million estate. Based on the tip, FINRA immediately launched an investigation and found the broker had not only violated his firm's internal procedures by failing to disclose his role as executor of his client's estate, but also falsified firm records to conceal his activities. FINRA took formal disciplinary action against the broker. Separately, the rightful heirs of the estate recovered a majority of estate assets through a civil court action.

## A Firm With Effective Practices

Of the many firms with strong policies and programs for the protection of vulnerable persons, one firm's program is worth spotlighting. The firm has:

- ▶ Adopted mandatory annual training for all employees in the recognition of elder abuse and steps to take when abuse is suspected.
- ▶ Established a specialized, centralized unit that coordinates the firm's responses to more complex senior issues, serves in an advisory capacity to registered representatives who have concerns and questions, and is the information gathering hub for possible scams to coordinate firm and client defense strategies.
- ▶ Published client-focused educational outreach to help investors protect themselves from possible scams.
- ▶ Hosted symposiums across the country with experts addressing issues that impact older Americans.
- ▶ Joined industry groups focused on combating elder abuse, which has increased the firm's protections through information sharing among industry peers.

Concerns also arise when a client wishes to make a broker who is not a family member a beneficiary of his or her estate. These situations may indicate a broker has exercised undue influence and guided the client to divert assets away from the rightful heirs. Firms should consider policies and procedures to help prevent such situations from occurring.

FINRA has observed situations where registered representatives have tried to circumvent firm policies by resigning as a client's registered representative or by moving the client to another registered representative. This sort of activity is a red flag that firms should investigate. An effective practice is for firms to develop and implement procedures to detect evasions and to impose sanctions for breaches.

Firms should consider scrutinizing any arrangements that allow registered representatives to work with a related or associated trust company. A registered representative acting as a fiduciary, agent or trustee for trust company clients often has nearly unfettered access to client assets. As in situations where a registered representative has been granted the rights to act as POA for a client, unscrupulous individuals may be inclined to take advantage of their position as a fiduciary or trustee to act in their own interest, not the client's interest. Firms should ensure that their processes for capturing information about registered representatives' outside business activities includes involvement with trust companies.

### Establish a Senior Issues Assistance Point of Contact

Some firms have established specialized groups, or appointed individuals, to focus on senior investor issues. These groups or individuals handle situations requiring specialized expertise on senior issues such as concerns about elder abuse or diminished capacity. They also are charged with contacting a client's trusted contact, APS, regulators or law enforcement, as needed. Designated teams or individual staff members may also help guide a firm in the development of products and practices focused on senior investors.

Individual states' elder abuse and financial exploitation reporting laws can vary greatly, for example with respect to who is required to report, the information and details to report, as well as the reporting timeframes. Firms of all sizes should establish sound procedures to ensure compliance with the reporting requirements in the states where they operate and consider whether they have sufficient expertise on individual states' laws to rely solely on internal staff or whether they need external specialists.



## Train Staff to Identify and Escalate Incipient Client Incapacity

Many firms have implemented annual training designed to help employees identify diminished capacity in clients. These trainings typically coach staff about red flags that may indicate cognitive impairment concerns and suggest ways to assist clients. Any firm with retail clients might consider having outside experts provide training for all levels of employees.

Many training programs also advise registered representatives to take notes of conversations in a firm's contact management system and send follow-up communications to clients memorializing their conversations. This is an effective practice with all clients, but is particularly valuable when working with seniors. It fulfills two critical needs for a registered representative: immediately making visible to the client possible misunderstandings, as well as creating a written record of the agreed activity. If the client has, or develops, issues with memory loss, the written record could reduce the likelihood of subsequent disputes and help resolve those that do arise.

Some firms also seek to include additional people in meetings and calls with senior clients. Often, firms will have their registered representatives include other firm staff or supervisors in meetings or calls with clients to take notes as well as provide meeting assistance. Registered representatives may also consider inviting their elderly clients to bring a trusted individual to meetings to, for example, help the client organize documents and comprehend terminology.

Training operations and back-office staff to recognize the indicators of suspicious activity is another effective means to prevent or limit the victimization of clients with diminished capacity. Staff members armed with this knowledge can escalate concerns to management and compliance and possibly stop harm before it happens. For example, when a client at one firm asked an operations person to send money to pay taxes for her lottery "winnings," the operations person immediately notified the client's broker about the conversation. The broker contacted the client and was able to provide evidence that the supposed lottery organization was a scam before the funds were sent from the client's account.

In addition, information technology (IT) employees can serve as a unique source of intelligence on potential diminished capacity issues. IT department employees frequently become aware of clients who make repeated calls for help resetting log-on credentials, and these frequent calls can be an indicator of diminished capacity. Firms should consider establishing procedures that instruct IT staff on the type of client activities that may raise concerns, as well as how these concerns should be escalated and addressed.

## Helpline in Action

### Barring the Broker

A caller contacted the Helpline for assistance in understanding brokerage statements that showed a precipitous drop in his account balance. The caller stated he was disabled, unable to work and had trusted his broker to recommend investments that would generate income to cover his living expenses. FINRA investigated and found that the broker had placed the investor in high-risk securities and other potentially unsuitable investments. FINRA barred the broker from the industry after he refused to cooperate with its investigation. The firm and investor are negotiating a resolution.

## Helpline in Action

### A 99-Year-Old Client

FINRA was concerned with a call from a 99-year-old woman who had been notified by her firm that she needed to find a new broker. Confused, upset and not knowing what to do, she called the Helpline for assistance. The investor was unable to describe the documents she received from the firm to Helpline staff over the phone and was not comfortable sending them in the mail. Staff members took the extra step of visiting her at her home. After reviewing the documents with the elderly woman, Helpline staff contacted the firm. The firm kept the account and assisted the client with understanding her account activity and making estate preparations, and assigned a new registered representative.

## Terminating Client Relationships

Since launching the Helpline, we have received a number of calls from investors—including long-time clients of firms—concerned about their firm or registered representative dropping them as a client. Terminating a client relationship can raise difficult issues for both the client and the firm, and FINRA urges firms to address these situations thoughtfully on a case-by-case basis.

Situations may arise where a registered representative does not wish to do business with a client with memory loss or other cognitive issues. These investors are among the most vulnerable and precisely for that reason need quality investment advice. Seniors who are forced to leave a reputable firm may fall victim to dishonest, predatory individuals. FINRA encourages firms to counsel their clients about permissible business practices and encourage using POA or involving APS where necessary.

In addition, firms should beware of situations where a broker seeks to unilaterally terminate a client relationship. This could signal actions designed to hide unscrupulous behavior such as unsuitable recommendations or unauthorized trades. Or, the registered representative may simply wish to terminate relationships with clients that have small accounts. In any event, brokers are not in the business of losing assets, so firms are urged to implement procedures to detect whether there is a sound rationale to terminate a client relationship or whether a registered representative is operating out of self-interest. FINRA reminds firms that closing an account does not terminate responsibility for violative behavior that may have occurred.

## Handling Incipient Capacity Concerns With Brokers

Firms should also consider the issue of registered representatives with diminished mental capacity, and design policies and procedures to respond appropriately. In doing so, firms should be responsive to applicable laws, including requirements under the Health Insurance Portability and Accountability Act (HIPAA) and Americans with Disabilities Act (ADA). These laws require policies addressing employees with any sort of disability to effectively safeguard medical information received and take steps to consider accommodations that will enable the employee to perform the essential functions of their job in an interactive process involving thoughtful discussion and compromise.

Firms should consider escalation procedures for situations where there is a known or suspected capacity issue involving any employee. It is important that firms include business managers, human resources and employment counsel in these situations at the earliest opportunity.

Firms have responded to issues that result from diminished mental capacity of firm registered representatives and staff in different ways. One firm added an attestation regarding diminished capacity to its annual compliance questionnaire. Other firms use their annual training programs to teach staff how to identify patterns that may be indicative of capacity issues, for example uncharacteristic errors or unexplained cancelled trades, or claims of unauthorized trades or other similar behaviors. In addition, much like training IT employees to monitor for concerns arising from client interactions, IT staff should monitor for employees who require frequent password resets or uncharacteristic technical assistance.

Another effective practice undertaken by a number of firms is to develop a plan of close observation for registered representatives under appropriate circumstances as an accommodation. Typical features of this accommodation include establishing a business relationship between two registered representatives to understand the personal and business aspects of certain client relationships. The introduction of a new registered representative can better protect both the client and the firm from the possible effects of a registered representative with diminished capacity acting alone. As these situations are sensitive, firms must approach each one carefully and individually to ensure that the rights of the impacted individual are protected while the needs of the client and firm are served.

### **Understanding Tax Consequences of Transferring Assets**

The tax consequences of removing assets from qualified accounts can be significant, particularly for seniors. As such, registered representatives should take extra care explaining recommendations where there are possible tax consequences. Since Required Minimum Distributions (RMDs) affect seniors over 70 ½ years old with traditional retirement account assets, registered representatives need to ensure these clients are completing their RMDs as required by the IRS or the investor will incur a tax penalty. Involving a client's tax professional (with the client's permission) to ensure the client is aware of tax ramifications is an effective practice.

## **Helpline in Action**

### **Big Tax Consequence**

Helpline staff assisted a retired couple in dealing with a tax issue resulting from advice they received from their registered representative. According to the couple, after rolling a 401(k) to an IRA with their registered representative, the representative told the couple there would be no tax consequence incurred from taking an IRA distribution. The couple was surprised when they got a large tax bill the following year, in part due to the IRA distribution. Helpline staff assisted in initiating a dialogue between the couple and the firm. As a result, the firm agreed to pay part of the couple's tax liability resulting from the registered representative's tax advice.

## Ensuring Investors' Desired Estate Account Distribution

Account features and associated legal terms—*e.g.*, “transfer on death,” “per stirpes”<sup>10</sup> and “per capita”<sup>11</sup>—significantly affect estate distributions. Through these features, the account owner can dictate estate asset distribution and potentially minimize probate court time and costs. While these features may facilitate an estate transfer, outdated paperwork can result in the opposite outcome. A customer’s account paperwork at a firm is a legally binding document and generally supersedes a will or trust in distributing account assets upon death of the account owner. Beneficiaries listed on TOD paperwork are typically entitled to account assets no matter how the deceased has designated the estate distribution through a will. As a consequence, many rightful heirs of estates are surprised after an account owner dies to find the designated beneficiary on the firm’s paperwork was out of date and not reflective of the deceased’s intent.

Registered representatives should periodically initiate conversations with clients to remain abreast of changes in their clients’ lives and update paperwork accordingly, rather than simply relying on clients to update accounts after “life events” (*e.g.*, marriage, divorce, retirement). Representatives taking a proactive approach will help their clients achieve desired asset distributions on death.

## Additional FINRA Actions

FINRA is building on the success of the Helpline to enhance its senior investor protection efforts in several ways. First, we are increasing staff support for the Helpline to meet the strong demand for assistance and maintain our high service standards. Second, we will continue to launch investigations and bring disciplinary actions (or make referrals for matters outside of FINRA’s jurisdiction) in instances of potential fraud or sales practice abuse. Third, FINRA will continue to analyze Helpline calls and produce Investor Alerts as warranted. Fourth, FINRA recently proposed new regulations to strengthen protections aimed at preventing financial exploitation of seniors and other vulnerable adults. These proposals draw from FINRA’s experience with the Helpline as well as our broader regulatory programs. FINRA published [\*FINRA Regulatory Notice 15-37: FINRA Requests Comment on Rules Relating to Financial Exploitation of Seniors and Other Vulnerable Adults\*](#) on October 15, 2015, to gather feedback on proposed amendments to FINRA Rule 4512 (Customer Account Information). These amendments would require firms to make reasonable efforts to obtain a trusted contact person for customer accounts. The trusted contact person would be entitled to receive information about the customer’s account, as well as the physical or mental well-being of the account holder. FINRA is also proposing a new rule—FINRA Rule 2165

(Financial Exploitation of Specified Adults)—to permit certain firm staff to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation. The comment period on this *Notice* closed November 30, and FINRA is reviewing comments.

In addition to the Helpline, related publications, educational materials and regulatory proposals, FINRA recently experimented with a new, proactive approach to bringing our expertise to the investing public by staffing a kiosk in a Florida shopping mall frequented by seniors. During the two-day program, FINRA staff answered investment-related questions and provided educational materials and literature. We plan to replicate the kiosks in other parts of the country.

## Conclusion

Through this report, we have shared some of the real-life situations and dilemmas regarding senior investors that have surfaced through the Helpline. We encourage senior investors to contact the FINRA Securities Helpline with securities-related concerns. Equally important, we trust that the information and effective practices discussed in this report will prompt firms of all sizes to assess their readiness to address the challenges that surface with some elderly clients. We hope that firms consider their size, retail client profile, product offerings, complaints or concerns raised by senior clients, the training of its workforce, and other factors in determining how to design and implement programs and controls to best serve this segment of the investing public. For its part, FINRA will continue to explore new and innovative ways to make a positive difference in the financial lives of senior investors.

**FINRA Securities Helpline for Seniors**

**1-844-57-HELPS (844-574-3577)**

**[www.finra.org/seniorhelpline](http://www.finra.org/seniorhelpline)**

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## Endnotes

1. While the Helpline is designed to assist older investors, FINRA does not use age to define a “senior investor.”
2. [THE NEXT FOUR DECADES: The Older Population in the United States: 2010-2050](#), Grayson K. Vincent and Victoria Velkoff, U. S. Census Bureau, Issued May 2010.
3. According to a [release](#) by MetLife, seniors lose at least \$2.9 billion annually to financial exploitation, and 1 in 5 Americans aged 65 or older have been a victim of financial fraud.
4. [An Aging Nation: The Older Population in the United States](#), Jennifer M. Ortman, Victoria A. Velkoff, and Howard Hogan, U.S. Census Bureau, Issued May 2014, p. 6.
5. [Retirement Wealth of Older Americans Hits New High](#), ASPPA Net Staff, American Society of Pension Professionals & Actuaries, December 12, 2014.
6. [2015 Alzheimer’s Disease Facts and Figures](#), Alzheimer’s Association.
7. See FINRA Rule 3240 (Borrowing From or Lending to Customers), that, with certain exceptions, prohibits a person associated with a member in any registered capacity from borrowing money from or lending money to any client.
8. BrokerCheck is a free tool that provides information to the public about current and former registered brokers. The information contained in BrokerCheck is collected through FINRA’s registration process from filings by regulators, firms and investment professionals. It includes current licensing status and history, employment history and, if any, reported regulatory, customer dispute, criminal and other matters. Visit <http://brokercheck.finra.org/> for more information and to conduct searches.
9. “Transfer on Death” is a feature in which a non-retirement account owner can designate beneficiaries, whereupon the account owner’s death, assets may avoid probate and transfer directly to listed beneficiaries on the TOD documents.
10. “Per stirpes” is a legal term used in conjunction with beneficiary designations to direct assets to the heirs of the primary beneficiaries if the primary beneficiary predeceases the account owner.
11. “Per capita” is a legal term used in conjunction with beneficiary designations to direct assets equally to surviving primary beneficiaries when one of the primary beneficiaries predeceases the account owner.