

MONEY MANAGEMENT FOR THE ELDERLY

In 2010, people over the age of 65 will constitute approximately 13% of the United States population. Yet, by 2030, that segment of the population is projected to rise even more to almost 20% (U.S. Census Bureau, 2007). In 2008, the Census Bureau (2008) listed the percentages of those over the age of 65 as 17.2% in Bandera County, 10.2% in Bexar County, 13.8% in Comal County, and 15.0% in Kendall County. With such a quickly growing senior population, improvements in governmental policies, consumer goods, marketing, and specialized services focused on the senior population must become a priority.

Need for Money Management

Americans aged 45 and older are consistently responsible for more than half of all consumer spending in the US, but a percentage of those Americans do not manage money wisely (AARP Foundation (AARP), 2004). Whether it is because of advanced age, mental illness, or physical disability, older Americans in particular may need extra help handling their personal finances. The AARP reports that approximately 2.5 million Americans over the age of 65 demonstrate the need for some level of assistance in financial matters (AARP Foundation, n.d.). The National Center on Elder Abuse (NCEA) states that only about one in twenty-five instances of financial exploitation of elders gets reported. There could be as many as 5 million cases a year (NCEA, 2005). Investigated reports of financial exploitation comprised 21% of all elder abuse investigations in 2004 (NCEA, 2006, February).

Poor money management typically results in bills and rent not being paid, which ultimately leads to a loss of independence and personal freedom for the affected elderly persons. If money management issues continue to occur, many elders may even lose the ability to live on their own. This can be emotionally devastating after working a lifetime to be able to live independently during the retirement years.

Options for seniors struggling to manage their finances are limited but include:

- **Friend or relative assistance:** Many friends and relatives are genuinely concerned with their loved one's well being and are willing and able to help them without financially exploiting or abusing them. Methods of assistance include:
 - **Joint Account:** requires two signatures on every check, one of the senior and one of the relative or friend.
 - **Limited Power of Attorney:** allows the senior to relegate only financial control to a relative or friend. The friend or relative handles all financial assets and financial decisions, but does not make other decisions (such as medical) on the senior's behalf.
 - **Conservatorship of the Estate:** gives voluntary or involuntary guardianship to a relative or friend for estate, financial, and/or personal matters. This agreement must be approved in a court of law, requires court supervision, and is usually very costly. (Shuster, 2009)

One note of caution is that some exploitation of seniors is perpetrated by the senior's own

family. In its *2004 Survey of State Adult Protective Services: Abuse of Adults 60 Years of Age and Older* report, the National Center on Elder Abuse (NCEA) (2006, February) reported that perpetrators were:

- 32.6% adult child of victim
- 21.5% other family member of victim
- 16.3% unknown
- 11.3% spouse/intimate partner of victim
- 52.7% women
- 25.6% age 40-49
- 18.5% age 50-59

➤ **Guardianship**

If a person is found to be incapable of making sound decisions for him/herself, a guardian may be appointed in a court of law. “Guardianship is a relationship created by state law in which a court gives one person or entity (guardian) the duty and power to make personal and/or property decisions for another (the ward or incapacitated person)” (AARP, 2008, p. 146).

Oversight of guardianships falls to the courts and differs from state to state. Generally, there are established procedures to ensure due process protections before a guardian is appointed, as well as reporting requirements to ensure the guardian is acting in the best interest of the ward (AARP, 2008). Unfortunately, no standardized court reporting system is in place. In Texas, there is currently no data showing the number of active cases, however, a 2005 survey showed a statewide average of 410.5 new filings per month (NCEA, 2006, August).

While offering needed protection, guardianships also remove fundamental rights. Too often, the measure of guardianship is taken against elderly people solely because they cannot manage their money effectively. This measure would be inappropriate for anyone experiencing only financial management problems, but is a viable option for elders who can no longer care for themselves and do not wish to be institutionalized.

➤ **Professional Daily Money Manager (DMM)**

A DMM is someone who is hired for a fee to handle the financial affairs of others. According to the American Association of Daily Money Managers (AADMM) (n.d.), fees can range

anywhere from \$35 to \$100 per hour, making this an option for middle to high income elders. DMMs vary in the services provided. Roles may include:

- Educator – teach money management skills
- Advocate – inform clients of benefits and services available
- Debt manager – negotiate with creditors
- Bill payers – assist client with bill paying activities
- Paying agent – receive client’s funds and pay bills directly
- Representative Payee – appointed by issuing agency, the Social Security Administration for example, to receive and distribute funds for the beneficiary
- Attorneys-in-fact – granted power of attorney to act for the client
(NCEA, 2003)

As with any service, hiring a DMM requires making sound judgments in the selection process. Elderly people who are not capable of managing their own finances are probably equally incapable of being vigilant when choosing a DMM.

The options discussed thus far, while perfectly suitable for some elders, exclude a growing number of seniors who have no living relatives, who have relatives unwilling or unable to help, or who are on a low or fixed income. There is no doubt that the American population is aging:

- The older population (65+) numbered 36.8 million in 2005, an increase of 3.2 million or 9.4% since 1995.
- The number of Americans aged 45-64 who will reach 65 over the next two decades increased by 40% during this decade.
- The 85+ population is projected to increase from 4.2 million in 2000 to 8.9 million in 2030.
- In 2003, persons reaching age 65 had an average life expectancy of an additional 18.5 years (19.8 years for females, and 16.8 years for males).
- About 30 percent (10.6 million) non-institutionalized older persons live alone (7.7 million women, 2.9 million men).
- Half of older women age 75+ live alone.

- The median income of older persons in 2005 was \$21,784 for males and \$12,495 for females.
- The major sources of income as reported by the Social Security Administration for older persons in 2004 were:
 - Social Security (reported by 89% of older persons)
 - Income from assets (55%)
 - Private pensions (29%)
 - Government employee pensions (14%)
 - Earnings (24%)
- About 3.6 million elderly persons (10.1%) were below the poverty level in 2005.
- Another 2.3 million or 6.6% of the elderly were classified as “near-poor” (income between the poverty level and 125% of this level).

(U.S. Department of Health and Human Services, 2006)

The **AARP’s Money Management Program** provides many low income elders who lack other resources the opportunity to maintain their independence. By 2007, the program had served more than 6,000 clients in 24 states through 135 agencies and is steadily increasing in the number of clients and number of project sites each year (AARP, 2008).

This program involves two methods of aid designed to help two different types of people:

1. **Bill Payer Program:** assists people who are capable of making their own financial decisions, but may not be able to take care of the logistics of managing their own finances (paying bills on time, making trips to the bank, or using technologies such as direct deposit and automatic bill paying services online). Bill payer volunteers do not have the authority to sign checks but they may write them out in advance for the client to sign.
2. **Representative Payee Program:** designed to help those people with greater needs who also receive Social Security checks. These clients usually cannot manage their own finances and need to be assisted in making

daily monetary choices (bill paying, budgeting, writing and authorizing checks, banking, etc.). One special requirement of the Representative Payee volunteers is that they must apply through and be approved by the Social Security Administration in order to receive their client’s Social Security checks. These volunteers are then authorized to receive and deposit Social Security checks and sign the personal checks of the clients.

(AARP, n.d.)

Benefits for the client

The AARP’s program advocates “independent living for older people on a limited income who are at risk because they cannot manage their financial affairs and do not have friends and family who can help” (AARP, n.d.). The service is completely free of charge to the client, runs on volunteer time, and uses donated funds from the AARP’s charitable branch (the AARP Foundation) and other donated funds from state governments and local charities wherever the program is implemented.

Safeguards for the client

The AARP program mandates that in order to insure that the client’s needs are being met and they are not being taken advantage of, volunteers must submit reports (monthly for representative payees, quarterly for bill payers). Both types of volunteers must maintain adequate records, attend in-service training, follow written procedures, and be able to produce copies of bank statements and cancelled checks that show no evidence of fraud or abuse (NCEA, 2003).

The respective roles of the AARP program, from the national level to the Kronkosky Charitable Foundation’s four county area are represented as follows:

National Program: AARP Foundation

- Provides insurance of client funds
- States program policies, procedures
- Provides materials
- Assists in program development and management
- Provides education on finances and Medicare prescription drug coverage

- Reviews financial reports



State Program: Alternatives to Guardianship

- Manages programs on state level
- Initiates and develops program sites
- Trains local and state program staff, provides workshops
- Provides technical assistance to local programs for monitoring client funds



Local Programs: Catholic Charities (Bexar County) and the Comal County Senior Citizens Foundation

- Manage programs on a local level
- Develop local policies using national guidelines
- Train and supervise volunteers
- Monitor client accounts
- Comply with AARP policies

Money management programs in general help the elderly to “maintain independence, while reducing risk of neglect and exploitation, and serve as an alternative to conservatorships” (AARP, n.d.). Because of the past history of exploitation of the elderly, unnecessary guardianship placement, and the unavailability of younger relatives to help, daily money management programs may be the best way for future generations to protect and ensure the independence of the elderly.

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