Using AML To Fight Elder Financial Abuse

business customers risk management BSA-AML

Summary: Seniors lose $2.9B annually to financial abuse. We provide ways you can use your ALM process to help protect these customers.

Weighing in at only 3 pounds, the human brain is amazing. Yet, it also changes as you age. At around age 60 or 70 years old, science reports shrinkage starts in the frontal lobe and hippocampus areas where higher cognitive function and new memories are saved. As parts of the brain shrink, communication between neurons can also decline and blood flow may decrease. This can adversely impact learning and other mental activities.

We should not be too surprised then when we learn evildoers seek to take advantage of this, and as a result, senior citizens lose huge sums of money to financial abuse every year. Fortunately, the same protocols that banks use to spot and prevent money laundering can help them identify and report suspected financial exploitation.

Seniors lose $2.9B yearly to financial abuse, according to the Senate Special Committee on Aging. Because the US population is aging and the median age rose by about 10Ys between 1960 and 2016, the potential pool of victims is also growing. About 20% of the population will be at least 65Ys old by 2030, so this is a long term issue for banks.

To mitigate some of your customer financial exploitation risk, look for changes in banking activity patterns, as a start. Frontline employees might notice that a particular client is making more frequent and larger withdrawals, for instance.

Community bankers have a head start here, because so many know their customers personally. You might decide that talking to either the customer or a second, trusted customer contact is the right step. If the response convinces you that everything is fine, you can probably move on.

However, with the explosion of online banking and real-time payments, it is not always as simple, because more interactions occur without human-to-human contact. It can be difficult to know which transactions are authorized and which ones aren't. While you may not be using your AML process on your aging customers, there are elements that you may want to consider to help keep your aging customers safe.

Some ideas in this area could include such things as: using the bank's predictive software to alert managers to anomalous activity and digging in more when you see something odd; gathering additional contact information and details on family or relatives to help determine if transactions are legit or not; and asking your aging customers about their activities to help keep them safe.

Training your staff is very important too, since only 29% of senior victims report the abuse. This training can be done in-house, by local agencies or at senior centers for example.

For its part, the ABA lists red flags bankers should be on the lookout for, some of which include: unusual activity in an older person's bank accounts, including large, frequent or unexplained withdrawals; ATM withdrawals by an older person who has never used a debit or ATM card; changing from a basic account to one that offers more complicated services the customer does not fully understand or need; new "best friends" accompanying an older person to the bank; sudden non-sufficient fund activity or unpaid bills; closing CDs or accounts without regard to penalties. Your seniors will thank you for your diligence.

WHITE PAPER: TRANSITIONING TO SOFR

Bankers have heard that SOFR will replace LIBOR as a benchmark in 2021. But, what is involved in this transition? To learn more about the impact and how your bank can plan for it, download our white paper, "Moving from LIBOR to SOFR: Smoothing the Transition for your Financial Institution" now.