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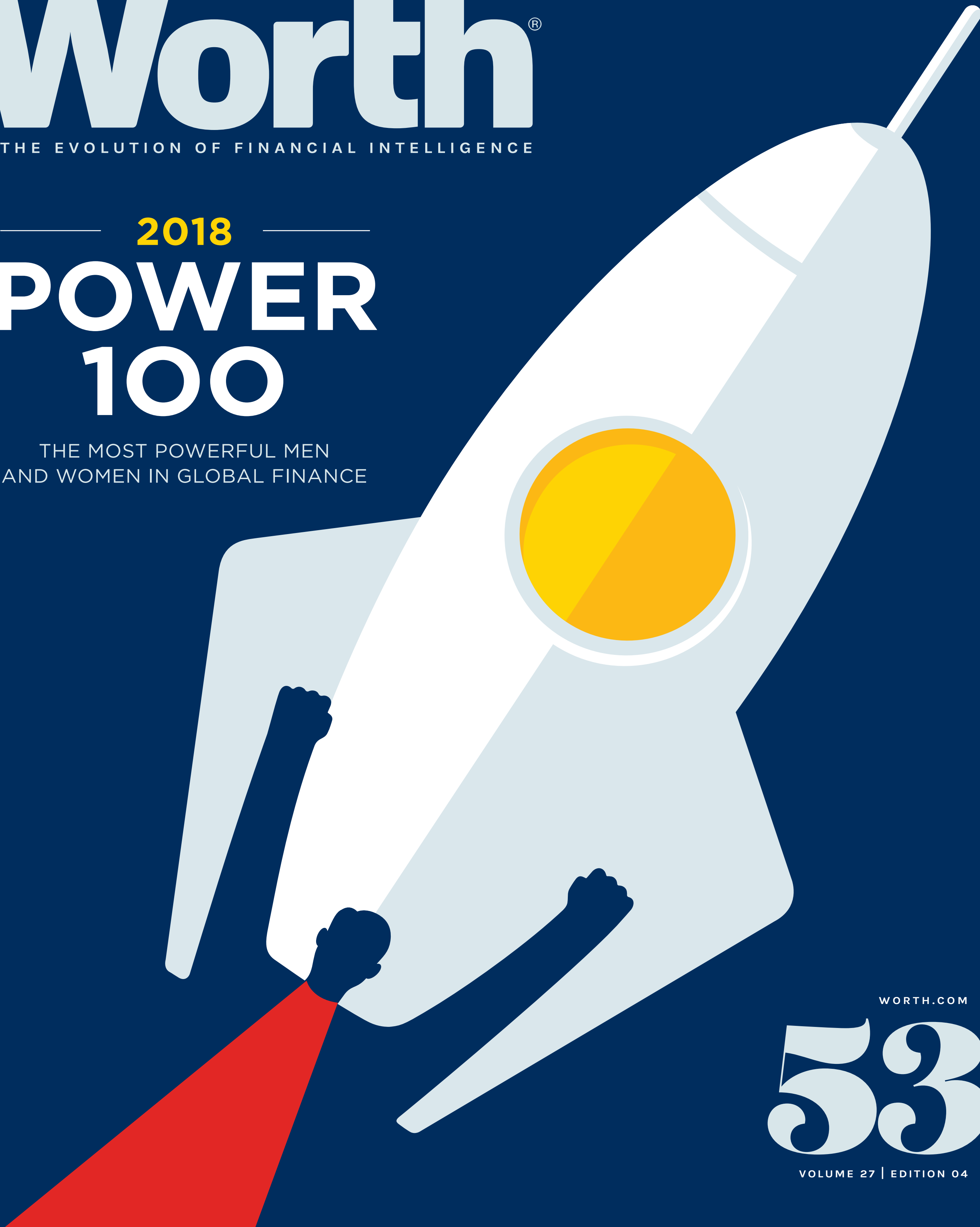

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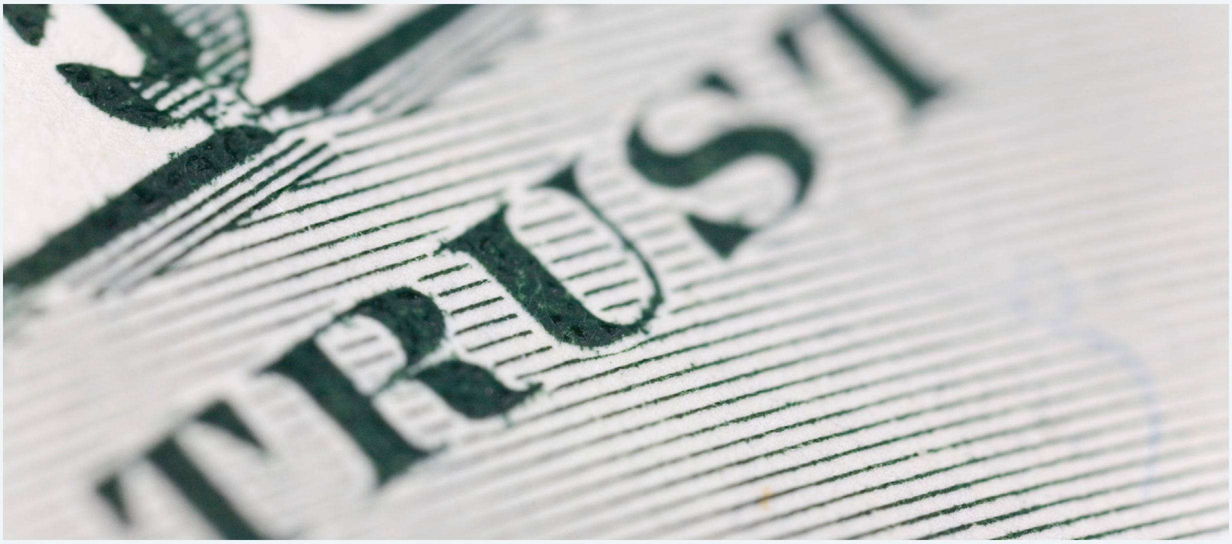
Q:

How can we prevent the financial victimization of our senior citizens?



BY TIMOTHY E. FLATLEY
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The segment of the U.S. population over age 65 is growing faster than any other age group in our nation. According to Social Security Administration life tables, for a couple who are both aged 65, there is a 49 percent chance of one of them living to age 90.

This presents a number of critical challenges. That familiar financial-planning exercise of saving enough money, inflation-adjusted, for 25-plus years of retirement should be the utmost concern. Another essential consideration is ensuring that an elderly person can protect his or her investments from various risks, including market risk, spending risk and victimization risk.

Market risk is particularly worrisome, as we are in the ninth year of an economic expansion and bull market. Many portfolios have become overweight in favor of stocks relative to their original objectives. This, then, is an opportune time for mature investors to review their portfolios with an eye toward reducing market risk.

The reason: A significant stock market decline while a senior is drawing income from his or her accounts could have drastic consequences for that retiree's portfolio.

Spending risk, meanwhile, refers to the danger of withdrawing funds at a greater rate than the portfolio can sustain. The nine-year bull market has generated greater gains than most people at or near retirement can reasonably expect in the future. A senior has to be certain that his or her spending needs can be met during a lower-return environment.

At the same time, elder financial fraud continues to infest our society, making *victimization risk* a substantial problem.

Even modest estimates calculate that elderly people are defrauded of tens of billions of dollars per year. Typically, the pattern is that seniors are contacted by scammers promising vast sums of money, such as the payment of lottery winnings, but first they must wire out funds to pay taxes in advance.

More direct fraud includes theft by unscrupulous caretakers or financial service providers.

For investors who have self-managed their portfolios during their entire adult lives, there comes a time when it is prudent to involve another trusted person in the review process. If you are that elderly investor, there are a variety of ways you can share information with someone you trust.

First, you can designate someone to be your "trusted contact" with the brokerage firm that has custody of your account. If your firm cannot contact you or suspects that unusual transactions are occurring in your account, the firm will reach out to your trusted contact.

We spoke about this topic with Chris McGann, Esq., of the law firm Breed & Associates. He suggested granting someone you trust a general durable power of attorney. This power of attorney can become effective immediately or upon your incapacitation and can remain intact for a limited period or indefinitely. The legal groundwork must first be carefully laid, however, as the power of attorney acts as the client and has full control over the account.

Another popular way of protecting yourself is to create a private personal trust that you alone own and control. In the trust, you can name a backup co-trustee to act in any emergency to pay your bills and taxes should you become unable to do so or are otherwise incapacitated.

At Sterling, we take time at every meeting with our clients to review their asset allocation and spending patterns. And we follow up with suitable recommendations. Our goal: to make our clients' senior years worry-free, risk-free and more enjoyable overall because they have the proper support to manage their finances. ●

PHOTO: TIMOTHY E. FLATLEY, MICHELLE SMALTZ, SEAN FLATLEY

> "Granting someone you trust a durable power of attorney can help protect your assets."
>
> —Chris McGann, Esq., law firm of Breed & Associates

ABOUT STERLING INVESTMENT ADVISORS, LTD.

Sterling Investment Advisors recognizes that every situation—educating children, building retirement wealth, insuring against loss, reducing taxes, planning estates, setting up trusts, and the like—brings its own complexities. The objective of the firm's team concept is to help clients develop a support group of professionals to whom the management of these issues can be delegated. Sterling Investment Advisors, an independent wealth-management firm, was named three times to the Philadelphia 100, honoring "the fastest-growing privately held entrepreneurial companies in the Philadelphia region." The firm has 30 years of investment experience with an independent orientation and utilizes proprietary trading strategies, with assets held at Charles Schwab.

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