

A Financial Professional's Guide to Working With Older Clients

AARP and the Financial Planning Association® (FPA®)

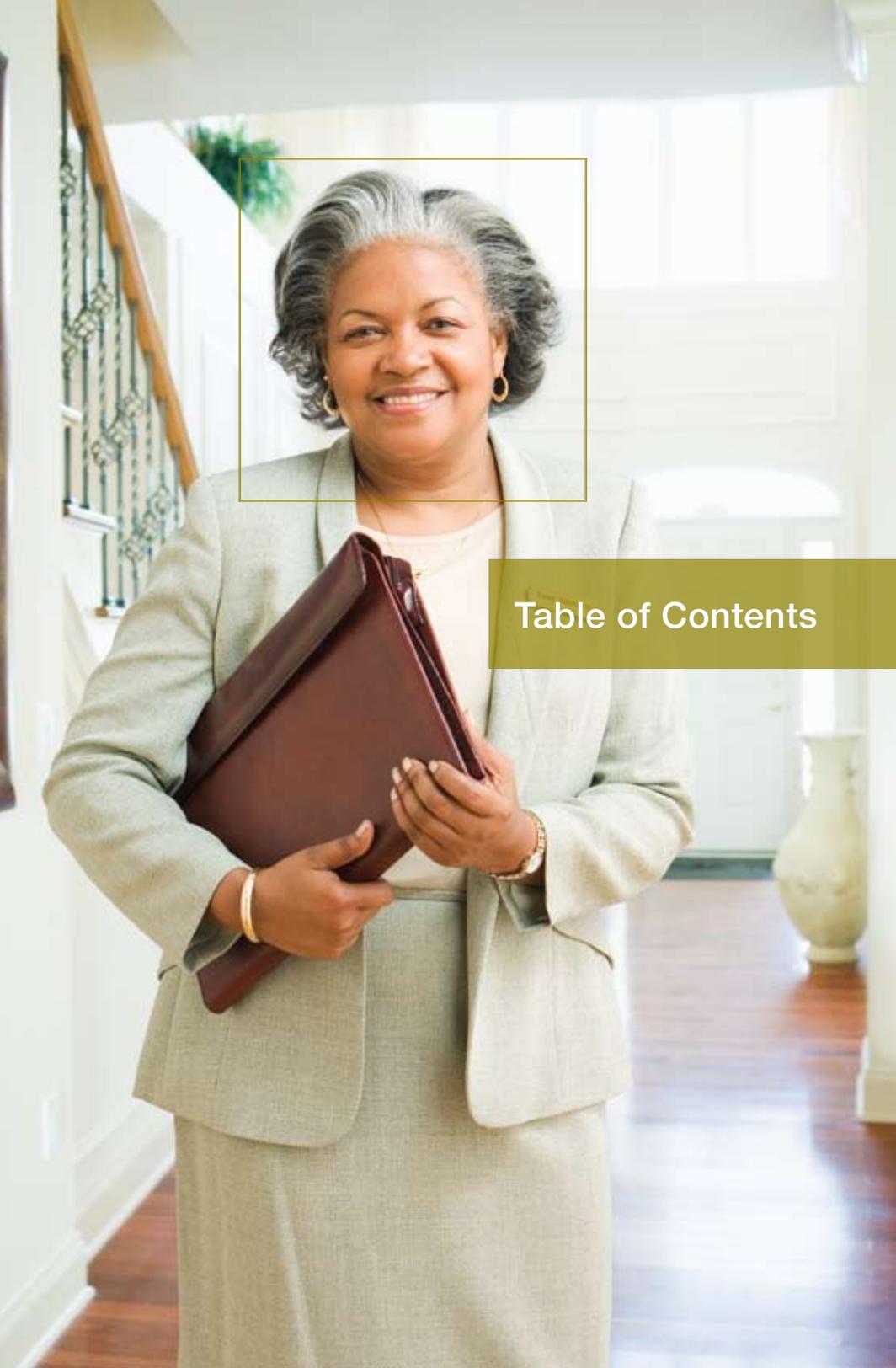


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Introduction



With the pending retirement of 78 million baby boomers holding billions of dollars in retirement accounts, and very uneven financial literacy and confidence in their ability to manage their money, the need for financial guidance is great.

As the baby boomers reach retirement age, many of whom have never had to seek financial advice or work directly with a financial professional may decide to do so. Many will look for help to plan for the future and manage their retirement assets. It is important that the financial services industry be prepared to meet the changing demographics of investors.

Financial professionals face several challenges in working with these potential clients. One is that this “generation” is very diverse. Currently it includes everyone from 40-somethings who have already been saving in a 401(k) and feel they’re pretty knowledgeable about money management, to Social Security beneficiaries who are struggling to figure out how to make their retirement savings last. Potential clients also include the 50-somethings who haven’t saved much but are trying to catch up, and retirees who are financially well-off but who must now focus on how to spend down their assets.

Wherever they fit within this diverse group, some are going to be hesitant to seek guidance. Some may be baffled or even intimidated by the lexicon of professional credentials and the variation in the



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types of fees and costs that characterize the field. Still another factor may be lack of trust. Many have seen news reports about retirees who have lost their savings in fraudulent “investment” schemes. Or they have heard stories of individuals who suffered financially because they bought financial products without understanding how they work or because of inadequate or misleading information.

Some financial professional organizations and consumer groups are urging consumers to comparison shop before making the decision to approach or work with a financial professional. They’re saying that you should be willing to be interviewed by a potential client and to respond fully to questions about your potential working relationship with them. You should also disclose detailed information about your services, products and costs, along with the pros and cons of each.

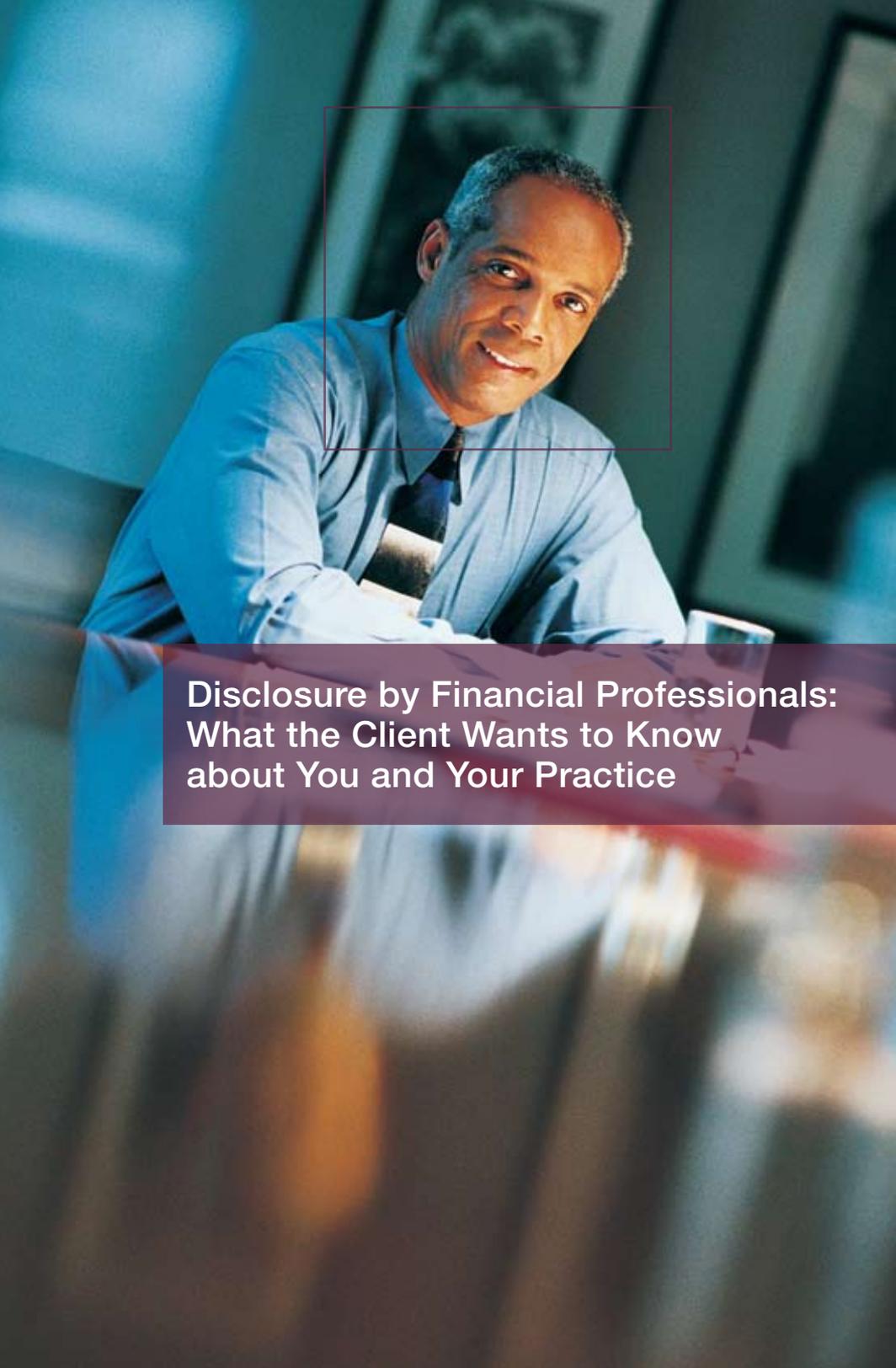
More than ever, the ability of financial professionals to meet the needs of clients will depend on their ability to reassure them that they have the necessary skills, experience and commitment to ethical practices to warrant their trust. One way to do this, starting from the first encounter, is to take the initiative to offer all of the information a potential client might need to make a decision. This means:

- Communicating in clear language, free of jargon, that laypersons can understand.
- Providing written information to take away to study after the meeting.
- Answering questions in person, without making the potential client feel he or she is being rushed to finish the interview.



- Creating an office environment that respects the physical and mental needs of older people.
- Being sensitive to the social, cultural and family dynamics that may influence the client's state of mind when approaching a financial professional.

AARP and the Financial Planning Association® (FPA®) have organized this document around two major themes that financial professionals need to take into account when working with older clients. The first part discusses the information that all financial professionals should be prepared to offer clients and potential clients. The second part reviews the key social, family, generational, physical and mental characteristics that may have an impact on this type of client's approach to financial issues. ■



**Disclosure by Financial Professionals:
What the Client Wants to Know
about You and Your Practice**

Here are the key questions that potential clients may have when they contact you. You may save yourself time by anticipating the questions and preparing plain-language answers to have on hand. Obviously, you shouldn't be offering guidance unless you are truly qualified to do so.

Services

The retiree, especially one who has never worked with a financial professional before, may present special challenges:

- They are no longer receiving a paycheck, resulting in fewer options for maximizing retirement resources.
- They need to shift from wealth accumulation to drawing down the earnings on assets or the assets themselves.
- They are not familiar with the types of services and products offered by various financial professionals.
- They have long-established spending and money management habits based on their pre-retirement lifestyle.
- They may have encountered a problem or crisis, such as loss of a spouse, and are uncertain how to cope with the financial impact.

For clients with any of these characteristics, it is essential to clearly explain the services and products that you offer (e.g., what's the difference between investment planning and retirement planning?) and why certain ones may or may not be appropriate for her personal situation. If you offer products, you should explain the



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pros and cons of various products and, if qualified to do so, their potential tax impact for the client, even if this might cause the loss of a sale. With all of the unpredictable changes that can occur in a person's life, if you offer products, you should be offering flexible products that will not result in undue costs or expenses if your client experiences a major life or financial change.

Those not yet retired have different needs than those already in retirement. Keeping these differences in mind, both the interview and written materials you provide should include descriptions of your services and products and specifically how they relate to older investors. Goal setting, for example, may be focused on how to make the existing resources last a lifetime, and/or provide an inheritance for a spouse or children. Or if a client specifically asks to buy an annuity and it's not appropriate for her circumstances, the insurance salesperson must be ready to explain the pros and cons of the purchase—for example, surrender fees—even if there's a risk of losing the sale. Financial Industry Regulatory Authority (FINRA) rules require that registered representatives learn about each investor's financial goals, risk tolerance, life stage, tax status, and investment horizon, among other things, and prohibit the recommendation of any product that is not specifically suitable for the particular investor in question.

The following can serve as a start for developing a list of services of special relevance for those who have already retired. You may want to adjust the list depending on what you are qualified to offer.

- **Goal setting:** Retirees need guidance on setting short- and long-term goals.
- **Cash management:** Creating and sticking to a budget may be the most important cash management issue a retiree faces.
- **Investment planning:** Retirees often depend on investment income for living expenses, and most cannot afford speculative investments.
- **Cash/Investment planning integration:** Retirees may benefit from a three to five year cushion of cash for cash flow needs so that they are not dependent on markets for their immediate expenses.
- **Retirement planning:** Even current retirees may need guidance on lifestyle options and decisions, such as where to live, and their potential impact on their financial situation.
- **Tax planning:** When they start to receive Social Security, pension and 401(k) or IRA income, retirees face a new set of tax rules they need to understand in order to manage their money wisely.
- **Insurance planning:** Key issues for many retirees include whether to buy long-term care insurance or life insurance, when to buy it, and how much; and assistance with a Medigap policy.
- **Estate planning:** Retirees may need help figuring out how to balance their desire to leave an inheritance with the need to use existing assets to live on.
- **Specialties:** Other areas in which retirees may need assistance from professionals include health care planning for themselves or a spouse, and real estate transactions, such as whether to get a reverse mortgage or to make a commitment to a retirement community or assisted living.

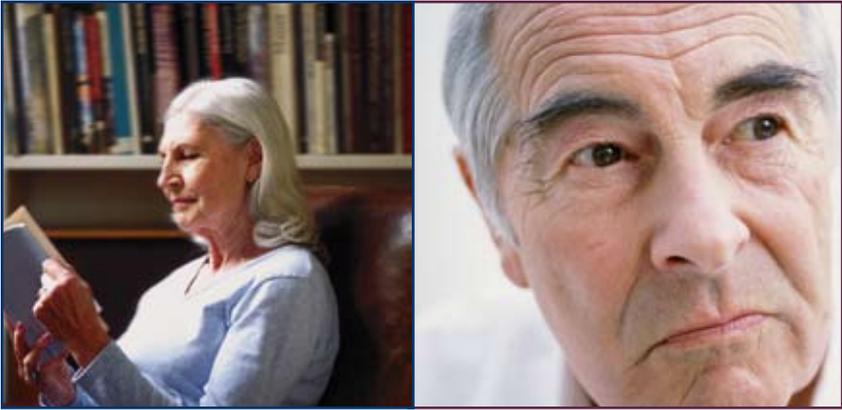


Methods and Processes

Every financial professional has a personal work style. A potential client wants to work with someone whose style meshes with his or her own way of learning, level of financial confidence, communication style, and decision making.

The financial professional-client relationship will vary depending on your expertise and the types of services and products you offer. Regardless of whether you're a securities broker, an investment adviser, a financial planner, an insurance producer, a CPA, or a tax lawyer, clients need to know whether you expect a long-term commitment or whether the relationship will end with the sale of a particular product or delivery of a specific service, such as completion of the year's tax return. They also need to know the terms on which you're available for future consultations. For example, if you're an investment adviser, the potential client will want to know whether you'll contact her if market conditions impact her portfolio; or whether the client will be expected to monitor the investments and take the initiative to contact you with questions or changes in priorities.

For comprehensive financial planning, a written plan is fundamental to ensuring that the professional and the client have the same documentation of the financial data and financial decision options. The savvy potential client may thrive on receiving the multi-color charts and graphs that normally accompany a comprehensive financial plan. But someone who's new to financial planning may find the same document intimidating or even inscrutable, and will also require a detailed conversation about the content and recommendations. You



need to clearly address how much assistance you offer in implementing the plan, and the terms on which you'll provide ongoing advice. Additional questions that you may need to answer include:

- Do you meet with the client on a regular basis? How often?
- Will you take a client's phone call at any time?
- Do you prefer to communicate by email? For some clients, email may be a desirable way of keeping in touch, but for those who are less computer-literate, it may not work. Consider asking the client how she prefers to communicate, and the best time to do so.

Qualifications

It is important for clients to understand their financial professionals' qualifications. But because there are so many different categories of professionals, and so many credentials being used in the marketplace, it can be confusing for clients. It's important for clients to know what kind of services their professional offers, how they are paid, and what regulatory oversight they are subject to. For example, securities brokers are required to be licensed and registered with FINRA and the U.S. Securities and Exchange Commission (SEC). CPAs must also have a license issued by a state Board of Accountancy. Clients should not work with professionals who do not have the proper licenses and registrations for the services they offer.

Beyond licenses and registrations, some financial services providers also obtain voluntary certifications or designations based on completing certain educational programs and/or years of experience. Some of these credentials denote legitimate expertise in a particular area, such

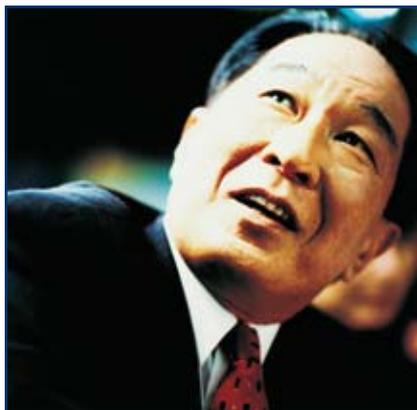


as retirement planning. But others may be mere window-dressing. The North American Securities Administrators Association (NASAA; 2007) reports that “individuals are using impressive-sounding but sometimes highly misleading titles and professional designations,” and that many states have taken enforcement action against individuals who had used a senior designation in a deceptive manner.

For securities brokers, FINRA rules prohibit registered representatives from using any misleading professional designation, including those that imply a level of expertise that the representative does not possess. NASAA has proposed a similar prohibition on senior-related designations that would apply to all financial service providers. In addition, consumer-oriented groups, like AARP and government agencies such as the SEC, have intensified efforts to inform all investors of the importance of understanding and researching the credentials of financial professionals.

As a result, consumers are increasingly likely to want to know whether your credentials are relevant to the services you’re offering. Consequently, you may want to tell potential clients about your qualifications, such as:

- What licenses are required for your profession, and which one(s) do you hold?
- Do you have education or certification in comprehensive financial planning?
- What are the requirements for the certification you have?
- How much training have you received, and in which topics?
- Does your certification require you to take continuing education courses? What are the courses, and how often must you take them?



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There are a number of ways that financial professionals can provide key information regarding their qualifications. Broker-dealers should show potential clients that they have complied with the requirement to register with the SEC and with a self-regulatory organization such as FINRA.

Accountants should disclose whether they are licensed CPAs, and insurance professionals should disclose whether they are licensed in a particular state and which lines they are authorized to sell. A senior real estate specialist needs to explain that the designation is based on 12 hours of course work on how to serve clients who are 55 or older.

CERTIFIED FINANCIAL PLANNER™ certificants should explain the basic and continuing education requirements they've met and be prepared to respond to questions about the difference between this type of certification and other designations that imply financial planning expertise. Brokers, insurance sales people, accountants, lawyers and others who do not have formal financial planning credentials need to be upfront about which credentials they do and don't have. Real estate professionals who advise older homeowners should clarify whether their training and expertise includes issues such as the financial and tax consequences the client will experience if she sells or buys a particular property.

Experience

While it's not a guarantee of greater competence or expertise, clients may legitimately seek a financial professional who has maintained a practice and a client roster over time. Retirees especially want to be reassured that they're working with someone who focuses on the special issues that people in their circumstances face. Older investors may ask what



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percentage of your clients are retirees, and the approximate income level of those clients. Many retirees still receive a traditional, defined-benefit pension and may want to work with someone with that expertise.

Fees

When you go to the doctor, you get a bill listing the services you've received and the cost of each one. When you need a lawyer, you can find out ahead of time what the hourly rate will be for the time spent on your case. But when someone is looking for financial guidance, each financial professional may have a different answer to questions about their fees and commissions.

For a retiree living on a fixed income, or on limited assets that must cover expenses for the rest of her life, the cost of professional services is a very important issue. Some potential clients will be seeking advice on a one-time basis. Others may want a long-term relationship. Some may want a money manager. Others may want the opportunity to buy financial products to help them implement their financial plan.

In each case, it is crucial for the potential client to understand ahead of time exactly how you will calculate costs and to receive a good-faith disclosure of what they will be. Different compensation structures may make sense to different clients, depending on their needs and investment strategies and objectives. For example, a fee-based approach may make sense for a client who plans to engage in active trading, while a trade-by-trade commission based approach may be most cost effective for someone who does not plan to trade actively.

Financial professionals should provide explicit information about the costs of working with them, including:

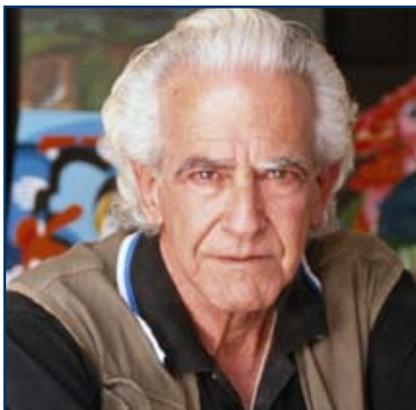
- Fees—hourly, project rate, flat rate such as a percentage of assets under management, or other arrangement.
- Commissions—how much, on which services or products, such as trading stocks and bonds, selling insurance or annuities, etc. This should include whether you receive on-going income such as 12(b)1 fees or trailing commissions from mutual fund sales.
- Combination of fees and commissions.
- Referral fees for sending clients to brokers, insurance agents, etc.
- Analyses or projections of product costs, benefits and features.

Because of their high fees, one of the most sensitive financial products is the variable annuity. Costs associated with variable annuities tend to be high relative to mutual funds and other less complicated securities products. Furthermore, surrender charges may make them an unwise or even unsuitable investment, particularly for older people with a short time horizon.

Legal Obligations

Helping clients understand the different legal standards, regulatory requirements and level of oversight for different types of financial service providers can help them make more informed decisions about what kind of professional service best fits their needs. For example, investment advisers have a fiduciary duty imposed by federal law that requires them to act solely in their clients' best interest. Advisers that manage more than \$25 million in assets are subject to SEC oversight, while those with fewer assets under management are regulated by their respective states. By comparison, brokers have fiduciary duties to their clients based in state law, but are also subject to regulation by FINRA and the SEC, and are prohibited from recommending securities that are not suitable for their clients. They are also required to conduct themselves in accordance with just and equitable principles of trade, and are subject to a range of other requirements, including a duty to seek best execution on behalf of their clients.

You should also be prepared to respond to questions about whether you have been subject to disciplinary actions. AARP and other consumer groups encourage investors to check out easily accessible



disciplinary records such as those provided by the SEC, state securities and insurance regulators, FINRA, and financial planning organizations. Most state boards of accountancy and state bar associations also keep records of disciplinary actions, such as revocation of a CPA license or disbarment of attorneys.

Anyone can go to websites such as the Financial Planning Association, the Securities and Exchange Commission, the National Association of Insurance Commissioners, the American Institute of Certified Public Accountants, or a state bar association to see which laws are associated with the financial professional's certification or professional membership. They can also find a list of questions to ask when interviewing professionals and guidance on how to file a complaint if they feel they've been misled or defrauded. Investors can also readily use FINRA BrokerCheck to check the professional background of current and former FINRA-registered securities firms and brokers.

Referrals

Your clients may require advice and assistance on a wide range of specialized financial issues and eldercare. One of the best ways to serve such clients is to develop a referral list of other experts who can help with issues that are not within your expertise. These experts might include elder law, tax or probate lawyers, eldercare case managers, geriatric money managers for people who need help with tasks such as bill-paying, geriatric social workers, or residence transition specialists. Some financial services practices may want to consider creating a team of these types of specialists to offer comprehensive assistance to their retired and older clients.

Creating a Retiree Service Team

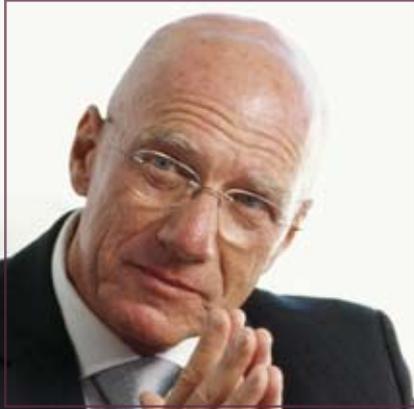
Nick Nicolette, CFP®, past president of the Financial Planning Association and a financial planner in Sparta, New Jersey, realized in recent years that many of his long-term clients were retiring and facing a whole new series of financial and lifestyle decisions. So he created a team of professionals with a variety of skills and credentials to address the retirees' new needs.

The team includes, as a minimum, one or more CPAs, elder law attorneys, an aide who can help clients with tasks such as bill-paying, a family therapist or psychologist, a geriatric care manager, and a representative of an independent trust company.

Nicolette sees two main roles for the group: as a network to meet and share information about eldercare on a regular basis, and as a trusted group to which he can refer clients with needs that he cannot address in his own practice.

The following national organizations may help you learn more about these specialties and identify practitioners in your geographical area:

- Alzheimer's Association, www.alz.org
- AARP, www.aarp.org
- American Association of Homes and Services for the Aging, www.aahsa.org
- American Bar Association, www.abanet.org, and state bar associations
- Eldercare Locator, www.eldercaresearch.gov, which links to resources by zip code and state
- National Academy of Elder Law Attorneys, www.naela.org
- National Association of Area Agencies on Aging, www.n4a.org
- National Association of Geriatric Care Managers, www.caremanager.org
- National Association of Social Workers, www.nasw.org ■

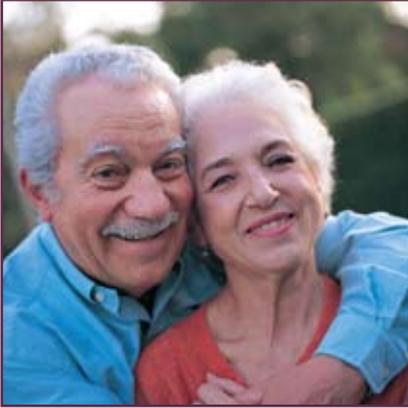


Working with Older Clients

Older people often have social, family, generational, physical and mental characteristics and circumstances that are different from those of other clients that financial professionals encounter. To provide the best service and products, you and your staff need to be aware of these factors and implement effective ways to communicate and interact with this group of potential clients. Improving your communication skills will gain the trust of your clients.

Social Issues

Retirement brings lifestyle changes beyond simply not going to work every day. Some of the most important are disrupting old routines and needing to establish new routines, maintaining existing or finding new social relationships and interests, and adjusting to the reality that the retiree no longer can count on a salary. To provide appropriate information and guidance, financial professionals should try to gauge how much thought the retiree has given to lifestyle changes. This includes the degree to which her resources will support lifestyle choices, such as where to live, how much to travel, what leisure activities and hobbies are affordable, or the size of the inheritance she can leave her children. You'll need to offer considerable information to the new retiree who has not thought through these issues. Be prepared to allow your client time to digest all the options and make decisions about both financial services and financial products.



Life changes that affect retirees, such as the loss of a spouse, loss of physical or mental ability, or of the ability to live independently, may arise suddenly and require input from a variety of professionals with different types of expertise. As a financial professional, you should try to develop your understanding and knowledge of these issues. However, if you observe these problems arising with a client and you do not have the credentials or experience to help, make appropriate referrals to others such as an estate planner, an expert in residential transitions, a mental health professional or a caregiving organization.

Family Issues

Both retirement and aging bring the potential for major shifts in family relationships and needs. Often these changes have complicated financial implications.

For example, a 60-year-old daughter may suddenly find that her 85-year-old mother, who lives a thousand miles away, needs 24-hour home care. Should the daughter quit her job and go home to care for her mother? Should you recommend that the daughter request the mother give her a power of attorney? If the mother adds her daughter to a checking account to help pay her mother's expenses, what impact will this have on her own tax obligations and her financial plan?

About 40 percent of all marriages end in divorce, triggering contentious financial issues around pensions, other retirement resources and estate plans. Some boomers—including many with children—may enter into later-life marriages that raise issues such as how to harmonize the couple's financial resources and expenses, and



decisions about inheritances.

Another problematic family situation can be the death of a husband whose pension terminates with his death, catapulting his wife into a financial crisis. For example, a question might arise about whether it's appropriate to suggest that the woman buy an annuity. When this happens, make sure the client takes the time to make an educated decision.

A client who has recently lost a spouse or other relative or friend may be suffering from any number of a wide range of grief symptoms, including reduced attention span, loss of focus, hyperactivity, and physical discomforts. Financial professionals need to be alert to such signs and if it seems appropriate, try to involve another relative, such as a child, or a trusted friend, in discussions with the client. In this case, keep in mind privacy issues, so that you don't involve another person in your client's affairs unless you have permission. In the event that an individual has lost a loved one, another strategy suggested by experts—except in relation to decisions that have deadlines, such as on an inherited IRA—is to observe a “decision-free” period.

Sometimes when these types of family issues arise, financial professionals may find themselves in the uncomfortable position of questioning whether the older person has the capacity to make her own decisions. If questions of capacity develop, the financial professional may need to refer the client to other professionals who can provide the needed guidance. Some situations, such as determining whether to recommend the appointment of a legal guardian, require an elder law attorney.



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The financial professional must also be aware of confidentiality issues. Sadly, not all children have their parents’ best interests at heart when they seek information about their finances. The children, for example, may ask a CPA to provide information on their parent’s income or investment accounts. To do so without the permission of the parent would be contrary to the AICPA and Certified Financial Planner Board of Standards code of ethics and could violate other confidentiality and privacy regulations.

Generational Issues

Older retirees’ life experiences and memories may include growing up with financial uncertainty or crisis in the Depression, and sacrificing and striving after World War II to achieve financial stability for their family. But financial professionals who are used to working with older clients may find that the upcoming boomer generation has different attitudes toward and experiences with money.

One key difference in this generation is the mixed expectations they may experience due to increased longevity. Boomers may hope for a longer, more rewarding retirement than the previous generation, but simultaneously fear that they don’t have enough money to support their intended lifestyle. As their parents live longer, some boomers face the prospect of caring for or financially supporting their parents, with the inheritance they counted on for their own retirement being spent for their parents’ care.

Many baby boomers’ parents could count on a pension. Due to changes in the corporate world, many companies no longer offer the traditional defined benefit plan. So to finance their retirement, boomers are more

Clients with severe physical limitations may find it difficult or impossible to come to your office, so you should be willing to meet with them in their home, assisted living facility, senior center, nursing home, or other convenient location.

likely to have to make financial decisions on complex issues with which they may have little or no experience. AARP surveys have shown that baby boomers 50 and older are more likely than older Americans to say they are worse off financially than they expected to be. Although all may not end up doing so, a majority of boomers also say that they expect to work in some capacity after “retiring.”

Financial professionals who work with the boomers need to be aware of these conflicting feelings and concerns. Plan on assisting your clients with basic financial education such as money management and investing, and on the range of financial products—not just making investment recommendations.

Physical Impairments

Loss of hearing, reduced vision and reduced mobility are the primary physical impairments of retired and older people. You should review the physical aspects of your office for potential barriers and safety hazards. We suggest some proven steps you can take to remove them.

Hearing

About 60 percent of Americans older than 65 have some hearing loss. Among 80-year-olds, the number is 90 percent. Your client may not acknowledge that she has a hearing problem. It is important to realize that behavior associated with hearing loss is sometimes mistakenly interpreted as mental confusion or dementia. Some signs that may tip you off to a client's hearing impairment are: inattentiveness, head bending to favor one ear, lack of expression when listening to you, or inappropriate responses to your comments.

The most important physical change you can make to accommodate hearing-impaired people—including those with hearing aids—is to find ways to screen out background noise such as air conditioners, traffic, or phone conversations elsewhere in the office. This could be as simple as closing doors or meeting in an interior room. In addition,



when talking with a hearing-impaired client, here are some things you can do to improve communication:

- Speak and enunciate clearly.
- Make eye contact and only talk when facing the client.
- Keep pencils, hands or other items away from your face so she can see your lips and other visual clues.
- Speak in a low pitch; do not shout.
- Speak at a moderate rate, allowing time between sentences.
- Repeat or paraphrase important points as you make them.
- Point, touch or use other non-spoken ways of communicating.
- Provide a written summary or follow-up information to your discussion.

Vision

An estimated 14 percent of men and 19 percent of women 65 and older report that they have trouble seeing. To accommodate people who are visually impaired, your office, the restrooms, parking area, the outside area, and lobby should all be well-lit, especially if they have walkways, stairs, patios or other features that could present safety hazards. Make sure that your immediate office or meeting room is well-lit, but that the lights do not cast a glare. Move your desk or chair away from the window. It's hard to see your face when the sun is directly behind you.

Also check the signage in your office, including the entrance, lobby and interior, to make sure it's easy to read. Signs should be illuminated and not obscured by glare from a glass pane. They should have strong contrasting colors, such as black or navy blue writing on a light background such as white or pale yellow.



Visual impairments also present challenges in your written communications. Some suggestions are discussed separately below.

Disability

About half of people 65 and older have arthritis. About a third of people in that age group say they have some type of disability that limits their activities and/or requires them to use a wheelchair or other special equipment.

If you have clients with mobility problems, offer your arm when they walk from the door to your office, or up and down steps. Also review your office for safety hazards and design barriers that could be especially harmful to people with mobility problems or arthritis.

Your office should be free of throw rugs, electrical cords and other objects that may trip a person. It should have:

- Doors that are wide enough for wheelchairs.
- Adequate space in the reception area, meeting room and your personal office to maneuver a wheelchair.
- Ramps from the parking area to the office.
- Handrails alongside the stairs.
- Grab bars on the restroom wall.

Also review the available seating. A deep, soft couch may be attractive to some visitors, but people with arthritis need firmer, higher seating. Chairs with arms are much easier to get in and out of.



“Discussing financial issues with and selling financial products to a mentally impaired person can present ethical issues...”

Mental Impairments

Declining mental ability is not a normal part of the aging process. A client who seems confused or short of memory may be experiencing a temporary loss of mental ability. Such confusion can be caused by problems with medication, inadequate diet, insufficient sleep, or emotional stress—not necessarily Alzheimer’s disease or some other serious brain impairment. Other symptoms that may signal dementia or Alzheimer’s include disorientation, asking the same questions repeatedly, being unable to follow directions, and neglect of personal hygiene or safety.

The National Institute on Aging says that only about five percent of people age 65 to 74 have Alzheimer’s, while nearly half of those who are 85 and older may have the disease. Mild forgetfulness may be a symptom of early Alzheimer’s and may also be a symptom of dementia, which is a deterioration in cognitive skills that becomes more common as a person ages.

You may be able to enhance communication about financial issues with a person who has early Alzheimer’s or dementia if the older person is accompanied by a relative or friend who can assist. Some of the tips suggested for face-to-face meetings are the same ones to use while talking with a person who is hearing-impaired:

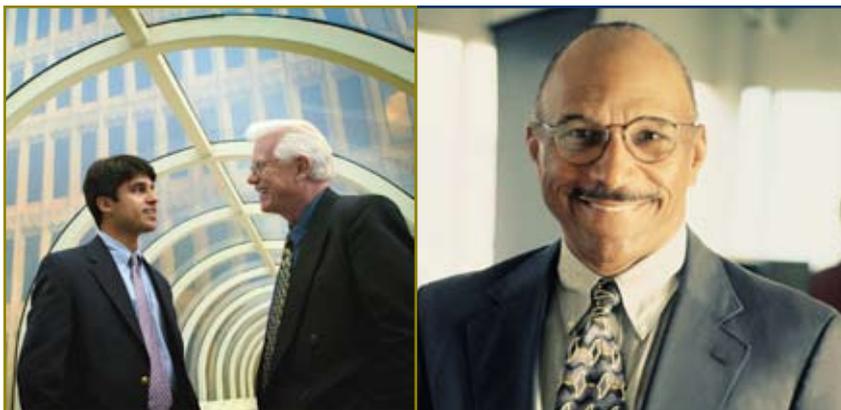
- Screen out background noise.
- Keep the number of people in the conversation to a minimum.
- Use simple words and short sentences.
- Offer just one concrete idea at a time; ask just one question at a time.

- Maintain eye contact when speaking or listening.
- Give one-step-at-a-time instructions.
- When repeating a statement, use the same words.
- If the client becomes frustrated, help her find the word she needs.
- Be patient; wait for responses.
- Keep meetings short.
- Schedule meetings early in the day when the client is more alert.

Discussing financial issues with and selling financial products to a mentally impaired person can present ethical issues for financial professionals. The SEC, FINRA and NAIC have all focused attention on suitability standards, particularly in the sale of variable annuities. To be able to make a suitable recommendation, the financial professional must obtain essential information from the client and make sure that the client is informed and understands the investment's features and risks. A client's diminished capacity may make it difficult, if not impossible, for the client to understand the transaction and for the financial professional to make a suitable recommendation. If the financial professional believes that the client is either unable to provide the necessary information or understand the transaction, the agent, at a minimum, must proceed cautiously before pursuing the transaction.

One way to head off difficult situations when opening a new account or starting a relationship with an older person is to ask whether that person has given a durable power of attorney to a family member or other trusted individual to make decisions for her in the event of her diminished capacity. It could be helpful to discuss in advance your clients' wishes about these potentialities and how she would want to proceed. If a long-time client starts to show signs of diminishing capacity, consult with your supervisor or your firm's compliance officer about the best course of action.

A September 2007 regulatory notice by FINRA to its members includes a series of specific steps that financial professionals and their firms can take to ensure that financial abuse does not occur in their dealings with clients who may have diminished capacity. (See "Resources" section on FINRA, for a link to the publication.)



Written and Online Communications

Providing written materials about financial options and potential decisions is a very effective way to communicate with older clients. Clients benefit from receiving materials in advance so they can prepare for a meeting. If you live in a state, such as California, that has rules about solicitations and sales to older clients, make sure you provide the written material or notification that's required. Also, brokers must be sure to comply with FINRA's rules governing communications with clients. Written materials the client takes home from a meeting to study before making a decision are also useful. Helpful written materials may include the following:

- A list of information or documents the client needs to bring to a meeting.
- A list of services you provide or products you sell.
- Descriptions of any products you may be discussing.
- An explanation of all fees and commissions that you will receive from providing services or products.
- A description of how you work with clients, including information on how and when they can contact you by phone, email, etc.
- General personal finance materials on saving, investing, insurance and other financial products and services.
- A plan of action or engagement agreement that you and the client agree to.

All written materials should be in plain language, free of jargon and technical financial terms. Use words that can be understood by the average layperson at the first reading. The SEC has pioneered this

“Plain English means analyzing and deciding what information investors need to make informed decisions... A plain English document uses words economically and at a level the audience can understand. Its sentence structure is tight. Its tone is welcoming and direct. Its design is visually appealing. A plain English document is easy to read and looks like it’s meant to be read.”

—“A Plain English Handbook,” Securities and Exchange Commission

Plain Language Examples

These examples, from an SEC publication on plain language, show how complex ideas can be communicated in a readable way that complies with legal requirements.

Before

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly.

After

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Before

The proxies solicited hereby for the Heartland Meeting may be revoked, subject to the procedures described herein, at any time up to and including the date of the Heartland Meeting.

After

You may revoke your proxy and reclaim your right to vote up to and including the day of the meeting by following the directions on page 10.

concept as it relates to investment disclosure documents, but the same principles can apply to any type of financial document. Again, states most likely will have rules to comply with too.



In drafting printed materials, think carefully about exactly how much of what information is necessary. Be sure to cover both any required legal disclosures and answers to other questions clients are likely to ask—but don't overwhelm the reader with unnecessary or repetitive details.

Financial professionals can enhance the readability of written materials, especially for people with declining vision, by following these design tips:

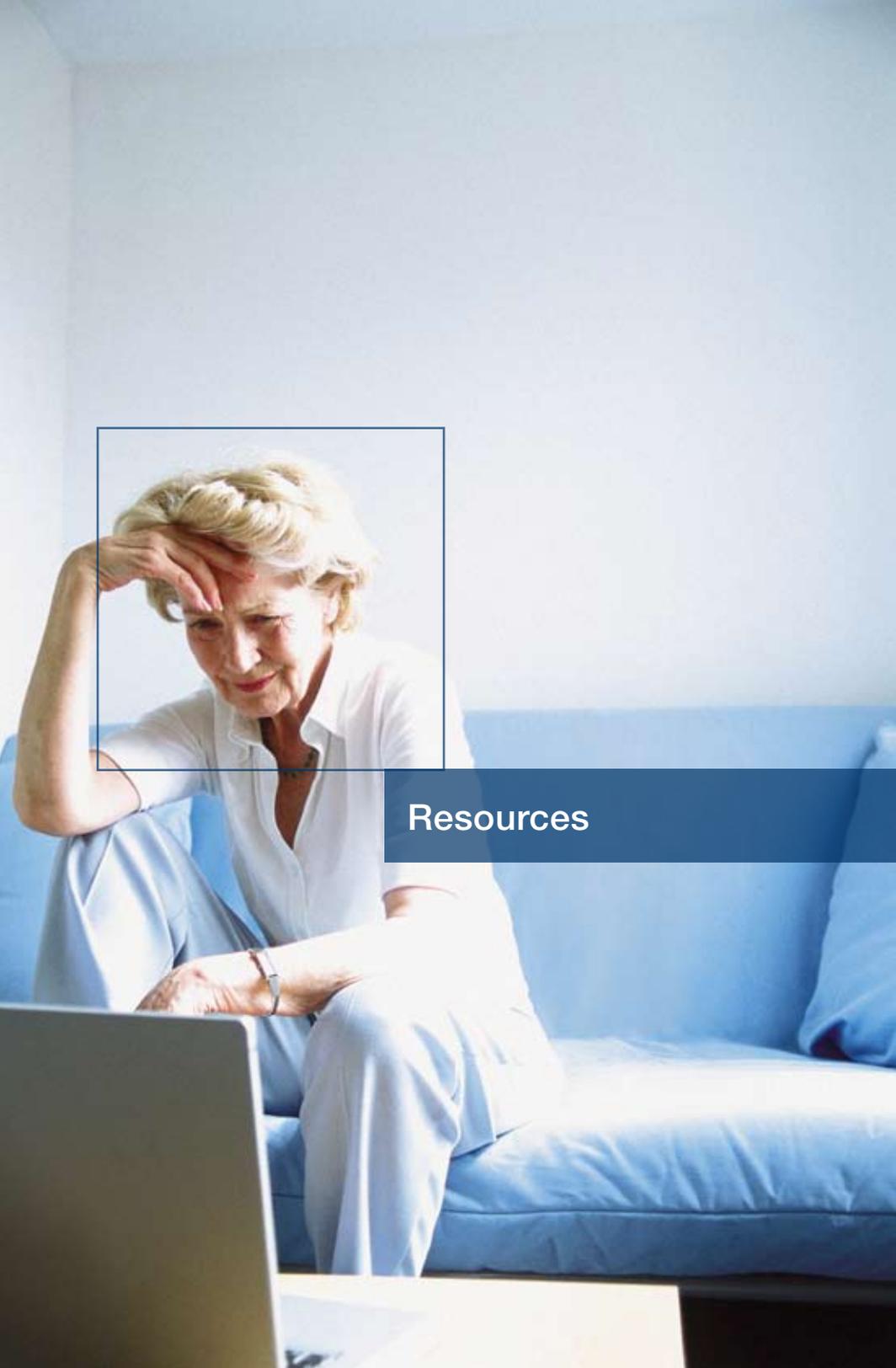
- Use short sentences and simple words.
- Double-space the text.
- Use large print, at least 12-point fonts for older people and at least 14-point for people with visual impairments; choose easier-to-read fonts such as Arial and Verdana.
- Use contrasting colors, such as dark type on a light background.
- Break up the text by inserting headlines, subheads, charts and other graphic material wherever appropriate.
- Leave sufficient white space on the page so that it has a clean, uncluttered look.
- Employ bullets to enhance readability.

Your personal or company website can also be an effective tool for communicating with older clients. Review your existing website for both content and design. If you don't have information that's relevant to this client group, consider adding resources on issues such as Social Security and Medicare, or how to withdraw funds from a 401(k). Web design tips include:



“Your personal or company website can also be an effective tool for communicating with older customers.”

- Organize content in simple, logical format.
- Follow tips on writing in plain language.
- Keep Web articles short.
- Choose larger, simpler types and sizes of fonts.
- Add a button that allows the reader to easily increase the text size.
- Incorporate sound levels of 65 decibels or higher for any audio materials.
- Incorporate links that require only one mouse click. ■



Resources

These resources may be helpful to financial professionals who are working with and trying to communicate effectively with retired and older clients.

AARP

www.aarp.org/families/home_design

Many of these tips on home design also apply to making your office safe and comfortable for people with disabilities.

www.aarp.org/orderfinancialpubs

AARP's Money Matters Tip Sheets are plain language articles on many financial education topics that professionals can use with clients.

Access Board

www.access-board.gov/adaag/html/adaag.htm

Learn how to make your office accessible to people with disabilities.

Alzheimer's Association

www.alz.org/national/documents/brochure_communication.pdf

The Alzheimer's Association offers tips on how to communicate with a person with dementia.

American Geriatric Society

www.healthinaging.org/agingintheknow/chapters_ch_trial.asp?ch=2

This overview highlights aging trends that may be reflected in the experience and attitudes of retired and older clients.



Federal Interagency Forum on Aging

www.agingstats.gov/agingstatsdotnet/Main_Site/Data/2006_Documents/Timeline.pdf

Read a list of significant historical events experienced by members of generations born in 1921, 1931 and 1941.

Financial Industry Regulatory Authority (FINRA)

www.finra.org

FINRA's website offers educational materials and tools including FINRA BrokerCheck, Database of Professional Designations, and Mutual Fund and ETF Expense Analyzers.

www.finra.org/web/groups/rules_regs/documents/notice_to_members/p036816.pdf

Learn about regulator obligations and best practices when dealing with older investors.

Financial Planning Association (FPA)

www.fpanet.org/journal/?WT.svl=0

Provides helpful articles on how to work with clients on retirement planning and how to work with older clients.

FINRA Investor Education Foundation 55+

www.saveandinvest.org/55Plus

The site contains unbiased information and helpful strategies for avoiding investment fraud.

Hearing Loss Association

www.shhh.org

The Hearing Loss Association of America has information about working with people with hearing impairments.

National Eye Institute

www.nei.nih.gov/nehep/what.asp

Read a basic Q and A on “What You Should Know About Low Vision.”

National Institute on Aging

www.nia.nih.gov/alzheimers

This publication offers background information on Alzheimer’s.

www.nia.nih.gov/HealthInformation/Publications/forgetfulness.htm

Learn more about dementia.

www.nia.nih.gov/HealthInformation/Publications/hearing.htm

This publication includes a section on how to help a person with hearing loss.

National Institutes of Health

www.nihseniorhealth.gov

The government designed this website with older readers in mind.

North American Securities Administrators Association

www.nasaa.org//Investor_Education/Senior_Investor_Resource_Center/

Find resources on investor fraud.

Securities and Exchange Commission (SEC)

www.sec.gov/news/speech/2006/spch101906lar.htm

An SEC staffer offers guidance on how to implement the compliance rule.

www.sec.gov/investor/pubs/askquestions.htm

This publication is an example of how the SEC implements its “plain language” policy.

AARP

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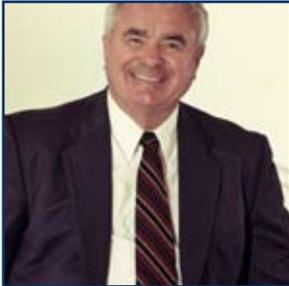
Disclaimer

This publication provides general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

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