



Financial decision-making deficits in scam cases: how frequent are they?

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ABSTRACT

Due to the rise in scams perpetrated against older adults, Adult Protective Service workers are more frequently involved in investigating these matters. One significant aspect of scam involvement is the assessment of informed financial decision-making. This study examined 175 consecutive scam cases APS workers investigated using a 10-item financial-decision making tool. Two-thirds of the sample displayed deficits in decision-making. The decision-making tool was effective in differentiating those rated as having deficits from those without deficits. Analysis of each scored item found differences between groups on six of the seven items. A review of the item responses illustrates the types of deficits in understanding and appreciation of the scam and its impact on the older person and their family.

KEYWORDS


Financial exploitation; Adult Protective Services; financial decision-making

Introduction

In the United States, Adult Protective Services (APS) agencies provide protective social services to older adults (typically those age 60 or 65 and older) as well as vulnerable adults (typically, those with serious disabilities). In financial exploitation cases, the assessment of decision-making abilities is often a critical part of APS investigations. Indeed, the ability to assess financial decision-making capacity is designated as a core competency of APS workers, as outlined by the National Adult Protective Services Association (2013). Many financial exploitation cases pertain to a financial decision or transaction – in this study the focus is on investigations where the older adult is involved in a scam.

One challenge for APS is to determine whether the older adult can make informed financial decisions or if the lack of informed decision-making is contributing to ongoing victimization. Informed financial decision-making is based on the legal standards of incapacity. In most states (each has its own legal standards), financial decision-making incapacity is defined as the lack of

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sufficient understanding of the decision and its consequences. For decades, this has been translated into the elements of choice, understanding, appreciation, and reasoning (Appelbaum & Grisso, 1988). APS workers must therefore assess the client's understanding and appreciation of financial decisions and decide how to proceed if decision-making deficits are identified.

The data indicates a rising number of scam complaints across all ages, but with excessive financial impact on older adults. A review of FTC data provides evidence that losses for individuals 80 and older more than doubled from 11 million to 23 million between 2019 and 2020 (Payne, 2020). While in the following year (2021 Elder Fraud Report n.d.), fraud cases totaled \$580 million, with medium loss of income again being the highest for adults 80 and older (Nolte et al., 2021). An earlier study by Lichtenberg et al. (2016), examining data from the Health and Retirement Survey found the incidence of fraud reported by older adults increased from 5% to 6.1% between the years 2008 and 2012. A 2021 report released by the Federal Bureau of Investigation's Internet Crime Complaint Center (IC3) found tech support scams were the number one reported financial scam by individuals over the age of 60, while victims of romance scams incurred the largest financial losses.

Financial decision-making assessment

APS professionals have limited tools available to them for assessing decisional capacity, and many require extensive training and take more time to administer than is feasible in the fast-paced work environment of an APS worker. A thorough review of financial decision-making tools is beyond the scope of this paper (we refer the readers to Flores & Lichtenberg, 2023 for a review) and the instrument used in this study is the Financial Decision Tracker. The Financial Decision Tracker (FDT) was created to provide a risk score based on 10 multiple-choice financial decision-making items (see Gross et al., 2019; Lichtenberg et al., 2016, 2017; Teresi et al., 2017). The FDT promotes the importance of assessing the older adult's understanding of the financial decision in question, taking into consideration the requirement that the older adult be able to communicate four important elements of their decision: choice, understanding, appreciation, and reasoning. The FDT contains 10 questions directly related to the elements of informed financial decision-making. Because scammers use techniques to influence older adults, participation in scams may uniquely affect older adult's decision-making and especially in the ability of the older adult to fully understand and appreciate the decision-making about the scam.

Research questions

Research Question 1: What percentage of older adults are found to have decision-making deficits as determined by the APS workers' FDT ratings?

Research Question 2: How many of the 7 scored items on the FDT differentiate those with decision-making deficits from those with no decision-making deficits?

Methods

Participants

The study examined 175 consecutively administered FDT scales focused on an older adult's involved in scams. The scales were administered by Michigan Adult Protective Services workers from April 2019 through December 2021. All cases involved older adults ages 60 and over. The study was approved by the BLINDED Institutional Review Board. All data was anonymous to the researchers so no written consent was obtained as it would have been the only identifying information.

Procedures

The electronic version of the FDT was launched in 2018 (see <https://olderadultnestegg.com>). During this time, the online training modules and certification also became available. APS supervisors were the first to undergo training and obtain certification, followed by APS caseworkers in early 2019. The online training was augmented by in-person training, along with coaching both before and after each group was trained. Monthly reports of scale usage were sent to APS sector supervisors throughout the study period.

Measures

Demographic measures

Age, gender, and years of education were collected by self-report.

Financial decision tracker (FDT)

The FDT is a 10-item scale designed to be administered as a structured interview, with multiple-choice response options. The interview is conducted in a standardized manner, and questions are to be read aloud as they are written. However, if the older adult responds before all of the options have been provided, the administrator may rate the response without reading the remaining options. The older adult should be encouraged to elaborate on any of their responses, but especially in cases in which the initial response is unclear. Elaboration can be requested by the administrator or occur spontaneously. The FDT has had several reliability and validity studies (see Lichtenberg et al., 2016, 2017; Gross et al., 2019 for further details).

Statistical analyses

IBM SPSS Statistics 26 was used to analyze the data. Demographic measures and FDT scores were compared for groups with and without decision-making deficits. T tests were used for those measures with interval data and Chi Square analyses were used for nominal data. Item comparisons were done using T tests and effect sizes were then calculated for items showing significant differences.

Results

One hundred and seventy-five participants comprised the sample. The mean age of older adults in this sample was 76.5 years. Fifty-eight-point two percent of the sample were women. Thirteen-point one percent self-identified as black and 85.7% as white. Sixty-five percent reported an education level of high school or less. There were 49 interviews where the individual's education level was marked as "Unknown." These values were removed from the overall total when determining percentages. There were no differences between those with decision-making deficits ($n = 115$) and those with intact decision-making ($n = 60$) on demographic measures of age, race, gender, and years of education.

There were significant differences on the FDT between the groups with the decision-making deficits from those without decision making deficits, and a large effect size was found ($t = -9.29$; $p < .001$; $d = 2.44$). The composite rate for decision-making deficits with individuals participating in a scam was 65.7%. Meaning, APS identified well over half of individuals as having some or major decision-making deficits regarding their ability with informed financial decision making specific to the scam.

Six of the seven scored items on the FDT differentiated the groups with moderate effect sizes ranging from $d = 0.66$ to 0.89 . A closer look at the item responses for the total sample provides some interesting insight into scam decision-making by older adults. Just over 50% of the sample replied that the decision to send money to a scam was someone else's idea, whereas 26% stated it was their idea and 21% stated they did not know whose idea it was. Fifty nine percent of the sample recognized participation in the scam would have a negative financial impact for themselves but 7% stated they would improve their financial position, 22% stated participation in the scam would have no financial impact and 12% did not know how it would impact them. While 56% of the sample recognized a risk to their financial well-being, 37% stated there was no risk and 6% responded that they did not know whether there was any risk. Thirty-three percent of the sample reported their involvement in the scam would negatively affect a family member or other individual. When asked who benefited most from this financial decision (i.e., scam) 41% stated they did not know and only 17% recognized the scammer benefitted most. Finally, half the sample reported they did not talk with anyone else about the decision to participate in the scam.

Discussion

The major finding of this study is that nearly two-thirds of older adults who were involved in a scam and were investigated by Adult Protective Services were rated as having decision-making deficits. These deficits were across six questions focused on understanding and appreciation of the scam and its impact on the older adult's finances as well as on their family. In addition, the questions measured the reasoning skills of the older adults involved in scams. Decision-making deficits are not enough to stop an older adult's participation in a scam, but documentation of the appropriate mental health and/or neurocognitive condition can be an important piece of evidence to support intervention and some protection for the older scam victim. Decision-making capacity assessment can be a powerful skill for APS workers. To support any findings of decision-making incapacity, however, APS workers need a reliable and valid method of assessment. The FDT provides a standardized, efficient, and valid method for APS workers to assess decision-making specific to a decision or related set of decisions.

The FDT is not simply an investigative tool. APS workers reported that by going through the questions orally with the older adult, this can lead to more open conversations about the scam. The best outcome in scam investigations is for the older adult to become aware of the scam and to recognize that they are being manipulated by the scammer. These conversations are quite sensitive, and by allowing the older adult to discuss their participation in the scam without feeling judged or pressured is an important step in beginning the conversation.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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Data availability

The data is available from the corresponding author upon request.

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