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NEWSLETTER

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Who Is Your Trusted Contact?

This vital investment account question should be answered sooner rather than later.

Provided by Wendy Nelson Bailey, CFP®

Investment firms have a new client service requirement.

They must now ask you if you would like to provide the name and information of a trusted contact.¹

You do not have to supply this information, but it is encouraged. The request is made with your best interest in mind – and to lower the risk of someone crooked attempting to make investment decisions on your behalf.¹

Why is setting up a trusted contact so important?

While no one wants to think ill of someone they know and love, the reality is that seniors have lost an average of \$50,200 to someone they know. And studies have

shown that almost half of all seniors aged 65 and older manage their own finances. Statistically speaking, if you fall within this age range, you could be vulnerable to scams.¹

The trusted contact request is a response to this reality.

The Financial Industry Regulatory Authority (FINRA) now demands that investment firms make reasonable efforts to acquire the name and contact info of a person you trust. This person is someone that investment firms can contact if financial exploitation is suspected or they suspect the investor is suffering a notable cognitive decline.²

Investment firms may now put a

hold on disbursements of cash or securities from accounts if they suspect the withdrawals or transactions amount to financial exploitation. In such circumstances, they are asked to get in touch with the investor, the trusted contact, and adult protective services or law enforcement agencies, if necessary.²

Who should your trusted contact be?

At first thought, the answer seems obvious: the person who you trust the most. Yes, that individual is probably the best choice – but keep some factors in mind.

Ideally, your trusted contact is financially savvy, or at the very least, financially literate. You may

trust your spouse, your sibling, or one of your children more than you trust anyone else, but how much does that person know about investing and financial matters?

Your trusted contact should behave ethically and respect your privacy. This person may be given confidential information about your investments. Is there any chance that they, upon receiving such information, might behave in an unprincipled way?

It is encouraged that your family members know who your designated trusted contact is. That way, any family member who might be tempted to take ad-

vantage of you knows another family member is looking out with your best interest in mind, which may be an effective deterrent to elder financial abuse. It should be noted that the trusted contact may, optionally, be an attorney, a financial professional, or a CPA.¹

Your trusted contact is your ally.

If you are being exploited financially or could be at risk of such exploitation, that person will be alerted and called to action.

As the old saying goes, money never builds character, it only reveals it. The character and morality of your trusted contact

should not waver upon assuming this responsibility. If given sensitive information about your brokerage accounts, that person should not sense an opportunity.

Now is the perfect time to name your trusted contact. Choose your contact wisely.

Contact us if you need to update your Trusted Contact.

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Citations.

1 - CNBC, September 27, 2019

2 - FINRA, March 4, 2020

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