

**Statement of Gerri Walsh**  
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**Before the Special Committee on Aging**  
**United States Senate**  
**January 13, 2022**

Chairman Casey, Ranking Member Scott and Members of the Committee:

**Introduction**

On behalf of the Financial Industry Regulatory Authority (FINRA) and the FINRA Investor Education Foundation (FINRA Foundation), I want to thank you for the opportunity to appear today to discuss financial literacy, financial capability more broadly and retirement preparedness in the United States. My comments will focus on the research, outreach and educational initiatives FINRA and the FINRA Foundation have underway to help American investors—including older Americans and people with disabilities—establish sound financial practices and follow pathways to investing and retirement readiness.

FINRA has consistently made investor protection for senior investors and those with diminished capacity a top priority. We have implemented rules specially designed for protection of these individuals, are undertaking significant initiatives in this area and are coordinating with the SEC, state regulators, industry members and stakeholders to broaden and enhance the investor protection safety net. For example, earlier this year, FINRA, SEC staff and state regulators developed specialized industry training with respect to the Senior Safe Act, a bill this Committee knows well.

**Background on FINRA and the FINRA Investor Education Foundation**

FINRA's mission is to protect investors and promote market integrity. FINRA is a not-for-profit, self-regulatory organization (SRO) responsible for regulating its member broker-dealers (member firms) and their associated persons pursuant to the Securities Exchange Act of 1934 (Exchange Act). FINRA supports the Securities and Exchange Commission (SEC or Commission) in overseeing one subset of the securities industry: more than 3,400 registered broker-dealers and more than 600,000 registered individuals. FINRA fulfills its mission by, among other things, adopting rules that supplement those of the SEC, examining member firms for compliance with FINRA and SEC rules applicable to broker-dealers, surveilling trading in the securities markets and enforcing member firm compliance where necessary. All FINRA activities are subject to comprehensive SEC examination and oversight; FINRA's rules must be filed with the SEC, published for public comment and (with limited exceptions) approved by the SEC. As I discuss later in this statement, FINRA is particularly focused on protecting vulnerable populations in its rules and through its regulatory programs.

In 2003, FINRA created the FINRA Foundation to help Americans build financial stability, invest for life goals and guard against fraud. A wholly owned subsidiary of FINRA, the FINRA Foundation is a nonprofit social welfare organization governed by a separate board of directors and funded by FINRA. Its mission is to empower underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The FINRA Foundation funds innovative research and educational projects in support of this mission, and also develops and directly manages targeted programs aimed at segments of the investing public that could benefit from additional resources, such as older investors, military service members and lower-income working Americans and their families. These programs help hundreds of thousands of people each year, including people from diverse cultural and socioeconomic backgrounds.

### **FINRA'S Commitment to Investor Education**

FINRA understands how overwhelming it can be for investors to find good information they can trust. This is why FINRA and the FINRA Foundation provide free, unbiased information and tools to help retail investors better understand basic principles of investing and the markets, making them better-informed investors able to avoid scams and other financial pitfalls. These resources include:

- a retirement education center on [FINRA.org](https://www.finra.org)<sup>1</sup> that features comprehensive information on both the accumulation and decumulation phases of retirement, as well as content on different ways to save for retirement;
- a calculator to help people maximize employer matching contributions;
- a tool to help retirees understand and navigate required minimum distributions from traditional IRAs and qualified employer-sponsored retirement accounts; and
- articles on managing retirement income.

FINRA also offers information on saving for education, including information on utilizing ABLE Accounts.<sup>2</sup> In addition, we offer:

- a mutual fund analyzer that allows investors to compare the impact of fees, expenses and discounts on fund values;<sup>3</sup>
- a series of online micro-courses,<sup>4</sup> optimized for mobile technology, that cover essential topics for new investors—from setting investment goals to understanding risk and return; and
- Investor Insights articles<sup>5</sup> that explain, in plain language, emerging products, popular strategies, current market trends and other topics of interest to retail investors, both novice and advanced.

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<sup>1</sup> See <https://www.finra.org/investors/learn-to-invest/types-investments/retirement>.

<sup>2</sup> See <https://www.finra.org/investors/learn-to-invest/types-investments/saving-for-education/able-accounts-529-savings-plans>.

<sup>3</sup> FINRA, *Follow a Course to Smart Investing* (available at <https://www.finra.org/investors/learn-to-invest/smart-investing-courses>).

<sup>4</sup> See [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/).

<sup>5</sup> See <https://www.finra.org/investors/insights>.

Recent publications have tackled such topics as maximizing retirement savings through 401(k) matches<sup>6</sup>, ways to keep one's financial accounts cyber safe, and how to spot and avoid broker and brokerage firm imposter scams.

### **FINRA Foundation Research on Financial Capability, Decision-Making and Aging**

To make our work and these tools as effective and targeted as possible, the FINRA Foundation undertakes and sponsors research to better understand investor behavior, attitudes, knowledge and preferences. The FINRA Foundation prioritizes research because the knowledge we gain and share is critical to improving how the FINRA Foundation and others equip all Americans to avoid scams. Our research also helps practitioners and policymakers address financial literacy and capability gaps.

#### *State of Financial Capability in the United States*

The FINRA Foundation commissioned the first national study of the financial capability of American adults, the National Financial Capability Study (NFCS), in 2009. The NFCS is a large-scale, multiyear project conducted every three years to monitor and better understand financial capability in America.<sup>7</sup> It measures key indicators of financial capability and evaluates how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics. The next report, based on data from a survey fielded in 2021, will be released in mid-2022. Given its robust nature, the NFCS provides an excellent means of assessing the current state of financial literacy in America, how it has changed over time and which groups are at risk due to low levels of financial literacy.

In general, financial literacy in America is low and has declined over time. In 2009, 42 percent of American adults demonstrated high levels of financial literacy, as measured by a widely used, five-question financial literacy quiz.<sup>8</sup> That figure dropped to 34 percent in 2018. While the full reasons for the decline are not known and likely manifold, the drop is driven, in large part, by younger Americans. The financial literacy of Americans 55 and older has been stable, though we do see financial literacy levels among the 70+ population falling. Despite increasingly low levels of financial literacy, 71 percent of Americans believe they have a high level of financial knowledge, suggesting widespread overconfidence.<sup>9</sup>

Importantly, financial knowledge varies across demographic groups, with women and people of color generally exhibiting lower levels of financial literacy than their male and white

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<sup>6</sup> See, e.g., FINRA Insights Article, Retirement Isn't Free—But Your 401(k) Match Is (July 14, 2021) (available at <https://www.finra.org/investors/insights/401k-plan-matches>).

<sup>7</sup> FINRA Investor Education Foundation. (2021). About the National Financial Capability Study. *US Financial Capability*. <https://www.USFinancialCapability.org>

<sup>8</sup> FINRA Investor Education Foundation's National Financial Capability Study. (n.d.). *Big 5 Financial Literacy Quiz*. <https://www.USFinancialCapability.org>

<sup>9</sup> Lin, J., Bumcrot, C., Ulicny, T., Mottola, G., Ganem, R., Walsh, G., Ganem, R., and Lusardi, A. (2019). *The State of U.S. Financial Capability: The 2018 National Financial Capability Study*. FINRA Foundation. [https://www.usfinancialcapability.org/downloads/NFCS\\_2018\\_Report\\_Natl\\_Findings.pdf](https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Natl_Findings.pdf)

counterparts. Many Americans with disabilities also face low levels of financial literacy and have little confidence in their financial knowledge. For Americans of color with disabilities, financial knowledge is especially low.<sup>10</sup>

Low levels of financial knowledge pose a particular risk to people with disabilities. A seminal FINRA Foundation-funded study by the National Disability Institute, Stony Brook University School of Social Welfare and the University of Tennessee College of Social Work found that the cost of living for Americans with disabilities is 29 percent higher than for those without disabilities. The findings suggest that Americans with disabilities, perhaps even more than Americans without a disability, need to have the tools and knowledge to make effective and informed financial decisions.<sup>11</sup>

Beyond demographics, there are other groups whose low financial literacy levels could be impacting their financial situation and even retirement prospects. For example, a recent study by Pew Charitable Trusts that was partially funded by the FINRA Foundation found that nearly one in 10 gig economy workers report that not understanding how to save for retirement was the primary reason they were not interested in saving in a hypothetical retirement plan.<sup>12</sup>

A wealth of data suggests that financial literacy is tied to a host of financial outcomes, with some findings indicating a causal link. Research by the FINRA Foundation, the Global Financial Literacy Education Center at George Washington University and the University of Southern California found that adults with higher levels of financial knowledge were more likely to plan for retirement, report being able to meet an unexpected \$2,000 expense and experience financial satisfaction six years later.<sup>13</sup> Beyond financial outcomes, financial literacy is correlated with cognitive health. A study by the FINRA Foundation and Rush University Medical Center found that older adults who exhibit low levels of financial literacy have an increased risk of Alzheimer's Disease and cognitive decline.<sup>14</sup>

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<sup>10</sup> Goodman, N., O'Day, B., & Morris, M. (2017). Financial Capability of Adults with Disabilities. National Disability Institute and FINRA Investor Education Foundation.  
[https://www.finrafoundation.org/sites/finrafoundation/files/NDI-Final-Report-Financial-Capability-of-Adults-with-Disabilities\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0\\_0.pdf](https://www.finrafoundation.org/sites/finrafoundation/files/NDI-Final-Report-Financial-Capability-of-Adults-with-Disabilities_0_0_0_0_0_0_0_0_0_0.pdf)

<sup>11</sup> Morris, C., McGarity, S., Goodman, N., and Zaidi, A. (2020). The extra costs associated with living with a disability in the United States. *Journal of Disability Policy Studies*. <https://doi.org/10.1177%2F10442073211043521>

<sup>12</sup> Scott, J., & Shelton, A. (2021). *Nontraditional Workers Face Multiple Barriers to Saving for Retirement*. Pew Charitable Trusts Brief [https://www.pewtrusts.org/-/media/assets/2021/11/nontraditionalworkersbarrierstosaving\\_v3.pdf](https://www.pewtrusts.org/-/media/assets/2021/11/nontraditionalworkersbarrierstosaving_v3.pdf)

<sup>13</sup> Angrisani, M., Burke, J., Lusardi, A., Mottola, G. *The stability and predictive power of financial literacy: Evidence from longitudinal data*. FINRA Investor Education Foundation.  
<https://www.finrafoundation.org/sites/finrafoundation/files/stability-and-predictive-power-financial-literacy-evidence-longitudinal-data.pdf>

<sup>14</sup> Yu, L., Mottola, G., Bennett, D. A., & Boyle, P. A. (2021). Adverse impacts of declining financial and health literacy in old age. *The American Journal of Geriatric Psychiatry*. 29(11), 1129-1139.  
<https://doi.org/10.1016/j.jagp.2021.02.042>

## *Financial Decision-Making and Aging*

Financial literacy is important throughout an individual's lifespan but plays a critical role in older adulthood. Aging is tied to physical and cognitive decline, which can lead to impaired financial decision-making skills. Aging Americans enter retirement and must make complex financial and healthcare decisions, which are inextricably linked in the United States. Thus, many older Americans are particularly vulnerable to poor decision-making and financial fraud and exploitation. These concerns are especially relevant in the United States, as it is an increasingly aging nation. By 2040, about one in five Americans will be age 65 or older, up from about one in eight in 2000. In absolute terms, there will be 80 million Americans 65 and older by 2040.

The FINRA Foundation is collaborating with neuroscientists and researchers at Rush University Medical Center to gain insights into the role of aging and cognition on financial and health decision-making and scam susceptibility. Several findings indicate that financial and health literacy generally decline with age.<sup>15</sup> The rate of decline is also important. Older adults who experience faster declines in financial and health literacy are more likely to make poor decisions, have higher susceptibility to scams and financial fraud, and experience lower levels of psychological wellbeing.<sup>16</sup>

Factors beyond financial literacy can affect decision-making in older age. One study by researchers at the FINRA Foundation and Rush University Medical Center found misjudging one's cognitive skills contributes to poor financial decision-making in older adulthood.<sup>17</sup> Another study found that loneliness, when paired with low cognition, is associated with poor financial and health decision-making in older adults.<sup>18</sup>

Impaired decision-making can result in financial fraud victimization. For older adults, understanding and preventing fraud is particularly important, as they typically lack sufficient time to recover from the toll of financial fraud. The FINRA Foundation recently collaborated with Rush University Medical Center on a study of older Black adults and found that lower levels of semantic memory (which refers to general knowledge about the world) and financial and health literacy may pose an important risk for losing money in scams—a finding that is true

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<sup>15</sup> Yu, L., Mottola, G., Bennett, D. A., & Boyle, P. A. (2021). Adverse impacts of declining financial and health literacy in old age. *The American Journal of Geriatric Psychiatry*, 29(11), 1129-1139.

<https://doi.org/10.1016/j.jagp.2021.02.042> <https://doi.org/10.1016/j.jagp.2021.02.042>

<sup>16</sup> *Ibid.*

<sup>17</sup> Yu, L., Mottola, G., Wilson, R. S., Valdes, O., Bennett, D. A., & Boyle, P. A. (2021). Metamemory and financial decision making in older adults without dementia. *Neuropsychology*.

<https://psycnet.apa.org/doi/10.1037/neu0000773>

<sup>18</sup> Stewart, C. C., Yu, L., Glover, C. M., Mottola, G., Bennett, D. A., Wilson, R. S., & Boyle, P. A. (2020). Loneliness interacts with cognition in relation to healthcare and financial decision making among community-dwelling older adults. *The Gerontologist*, 60(8), 1476-1484. <https://doi.org/10.1093/geront/gnaa078>

for older adults generally.<sup>19</sup> Given the interplay between financial literacy, cognitive ability and financial fraud, maintaining and improving financial literacy as we age is an important protection.

### **Helping Older and Vulnerable Investors Access Trusted Advice and Avoid Costly Mistakes**

A major part of FINRA's mission is to protect and educate all U.S. investors—from younger people in Generation Z to members of the Greatest Generation, and from self-directed investors to those who work with an investment professional. In particular, FINRA views the protection of older investors, meaning those who are retired or approaching retirement, and vulnerable adults as a top priority, both through our education efforts and our regulatory work.

For investors, moving from the asset accumulation phase of life to the decumulation phase is typically characterized by increased uncertainty and the need to make point-in-time, highly consequential decisions on the one hand and limited or no experience upon which to draw to make these decisions on the other.<sup>20</sup> Investors do not know, for example, how long they will live, nor can they predict how their health will evolve, how they will occupy their time in retirement and what financial demands they will face as they age. Moreover, while at least some investors benefit from decades of “learning by doing” in their investments with the opportunity to also learn from mistakes—and often have been able to substantially correct errors or recover from down markets—the decumulation phase of life requires investors to make important financial decisions they have not previously encountered and will not likely encounter a second time—all while having little or no opportunity to correct mistakes. These decisions range from whether and how to obtain advice in retirement, whether and when to purchase an annuity, how to access pension assets (e.g., whether to take a lump sum payment or annuitize), and when to start drawing social security (at retirement or a later date), among others.

#### *FINRA Securities Helpline for Seniors*

In 2015, FINRA launched the toll-free FINRA Securities Helpline for Seniors® to provide older investors with a supportive place to get assistance from knowledgeable FINRA staff related to concerns they have with their brokerage accounts and investments. Callers to the Senior Helpline (844-57-HELPS or 844-574-3577) report a wide range of issues, including concerns about alleged fraud and sales practice issues like unauthorized trading. In some cases, FINRA has been able to provide the senior investors or their families with enough information and understanding of brokerage operations that they can help themselves. In other instances, FINRA has directly worked with firms or helped seniors work with the firm to be made whole.

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<sup>19</sup> Yu, L., Mottola, G., Barnes, L. L., Han, S. D., Wilson, R. S., Bennett, D. A., & Boyle, P. A. (2021). Correlates of susceptibility to scams in community-dwelling older black adults. *Gerontology*, 1-11. <https://doi.org/10.1159/000515326>

<sup>20</sup> See Polansky, S., Chandler, P., & Mottola, G. (2018). The Big Spenddown: Digital Investment Advice and Decumulation. In J. Agnew and O. Mitchell (Eds.) *The Disruptive Impact of Fin Tech on Retirement System* (pp. 129-148). Oxford University Press. [https://repository.upenn.edu/prc\\_papers/4/](https://repository.upenn.edu/prc_papers/4/)



A 2020 report on the FINRA Securities Helpline for Seniors highlights the contributions of the Helpline in its first five years and lays out effective practices for firms' senior investor protection programs.<sup>21</sup> The Senior Helpline is managed by a specialized internal team, the Vulnerable Adults and Seniors Team (VAST). VAST members also work within FINRA's Regulatory Operations to investigate and, where appropriate, bring disciplinary actions in senior-specific financial exploitation and sales practice cases. FINRA routinely and quickly bars registered representatives who prey upon seniors and recovers restitution for harmed customers.<sup>22</sup> In addition, FINRA provides resources to seniors and other investors to understand and avoid risk identified through regulatory actions, including *FINRA Unscripted* podcasts on excessive trading and fraud, two areas that commonly affect seniors.<sup>23</sup> When appropriate, VAST members file reports with state or local Adult Protective Services (APS) agencies and make referrals to state, federal and international agencies.

### *Rules for Broker-Dealers*

FINRA's Securities Helpline for Seniors has highlighted issues relating to financial exploitation of senior and vulnerable investors, including the need for member firms to quickly and effectively address suspected financial exploitation of seniors and other specified adults.<sup>24</sup> In response,

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<sup>21</sup> FINRA, *Protecting Senior Investor, 2015–2020* (April 30, 2020), available at <https://www.finra.org/rules-guidance/key-topics/senior-investors/protecting-senior-investors-2015-2020>.

<sup>22</sup> See, e.g., *Aegis Capital Corp.*, AWC No. 2016051704305 (Nov. 8, 2021) (member firm ordered to pay approximately \$1.7 million in restitution to hundreds of customers, including seniors, for supervisory failures involving unsuitable and excessive trading); *NYLIFE Securities LLC*, AWC No. 2017056197102 (Oct. 25, 2021) (member firm ordered to pay over \$63,000 in restitution to ten customers, including seniors, for supervisory failures involving unsuitable mutual fund and cross-product switching); *Eric Shea Hollifield*, AWC No. 2021072558701 (Oct. 7, 2021) (broker barred for refusing to provide information in connection with investigation into his alleged conversion of an elderly customer's funds); *Jeffrey Dampf*, AWC No. 2021072405501 (Oct. 1, 2021) (broker barred for refusing to testify and provide documents and information in connection with investigation into his alleged misappropriation of funds from elderly individuals); *Jeffrey Scott Anderson*, AWC No. 2020067888701 (Aug. 2, 2021) (broker barred for converting \$26,579.72 from elderly customer by convincing customer to write checks to him personally to purchase investments); *Coastal Equities, Inc.*, AWC No. 2017052325702 (Nov. 9, 2020) (member firm ordered to pay over \$270,000 in restitution to four senior customers for failing to supervise a registered representative who excessively traded their accounts; representative was barred in a separate action); *Roger Allan Duval*, AWC No. 2019062789901 (Sept. 18, 2020) (broker barred for converting \$130,000 by using three elderly customers' login credentials to write himself checks).

<sup>23</sup> See FINRA, *FINRA Unscripted—Excessive Trading: When A Lot Becomes Too Much* (Sept. 29, 2020), available at <https://www.finra.org/media-center/finra-unscripted/kelly-excessive-trading>; FINRA, *FINRA Unscripted—At, By or Through: Fraud in the Broker-Dealer Industry* (April 20, 2021), available at <https://www.finra.org/media-center/finra-unscripted/fraud-broker-dealer-industry>.

<sup>24</sup> Similarly, the FINRA Foundation has explored how third-party interventions can help thwart financial fraud. For example, a FINRA Foundation study from 2017 found that certain institution-based protections can prevent potential fraud victims (many of whom exhibit low levels of financial knowledge) against monetary losses due to fraud. These structural protections are attempts by an organization, company or agency to intervene to stop a scam, for example a bank teller or an employee of a wire-transfer company halting a suspicious transaction. See DeLiema, M., Fletcher, E., Kieffer, C. N., Mottola, G. R., Pessenha, R., Trumpower, M. (2017). Exposed to scams: What separates victims from non-victims? FINRA Investor Education Foundation, BBB Institute for Marketplace

FINRA implemented new rules in February 2018 to provide member firms with ways to respond to situations in which they have a reasonable basis to believe that financial exploitation has occurred, is occurring, has been attempted or will be attempted.<sup>25</sup> Member firms can better protect their customers from financial exploitation if they have the ability to contact a customer's designated trusted contact person and, when appropriate, place a temporary hold on a disbursement of funds or securities from a customer's account.

- [FINRA Rule 4512 \(Customer Account Information\)](#) requires member firms to make reasonable efforts to obtain the name of and contact information for a trusted contact person upon the opening of a non-institutional customer's account or when updating account information for a non-institutional account. The trusted contact person is intended to be a resource for the member firm in administering the customer's account, protecting assets and responding to possible financial exploitation.
- [FINRA Rule 2165 \(Financial Exploitation of Specified Adults\)](#) permits a member firm that reasonably believes that financial exploitation has occurred, is occurring, has been attempted or will be attempted to place a temporary hold on the disbursement of funds or securities from the account of a "specified adult" customer. Specified adults include a natural person age 65 and older or a natural person age 18 and older who the member firm reasonably believes has a mental or physical impairment that renders individuals unable to protect their own interests.

In August 2019, FINRA launched a retrospective review to assess the effectiveness and efficiency of its rules and administrative processes that help protect senior investors from financial exploitation. The review indicated that FINRA's steps to protect seniors have provided helpful and effective tools in the fight against financial exploitation, but it also suggested some additional tools, guidance and rule changes. Based on feedback received during the review, FINRA is proposing amendments to Rule 2165 (Financial Exploitation of Specified Adults) to extend the hold period and to allow temporary holds on securities transactions (in addition to disbursements) to further address suspected financial exploitation of senior investors.<sup>26</sup>

### *Examination of Firms*

As noted above, FINRA oversees more than 3,400 registered broker-dealers and more than 600,000 registered individuals. Through this work, FINRA encourages firms to review and, where warranted, enhance their policies, procedures and practices, in light of the special issues

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Trust, Stanford Center for Longevity. [https://www.finrafoundation.org/sites/finrafoundation/files/exposed-to-scams-what-separates-victims-from-non-victims\\_0\\_0.pdf](https://www.finrafoundation.org/sites/finrafoundation/files/exposed-to-scams-what-separates-victims-from-non-victims_0_0.pdf)

<sup>25</sup> See *Regulatory Notice 17-11, SEC Approves Rules Relating to Financial Exploitation of Seniors* (March 2017), available at <https://www.finra.org/rules-guidance/notices/17-11>.

<sup>26</sup> See *Regulatory Notice 20-34, Proposed Amendments to FINRA Rule 2165 and Retrospective Rule Review Report* (October 5, 2020), available at <https://www.finra.org/rules-guidance/notices/20-34>.



common to many senior investors.<sup>27</sup> FINRA's examinations of member firms focus on a broad range of topics relating to the protection of senior investors, from ensuring that recommendations of securities and investment strategies are in the best interests of retail customers to guarding against the financial exploitation of senior and vulnerable customers.<sup>28</sup>

### *Training for Securities Firms and Professionals on Detecting and Preventing Exploitation*

FINRA also supports training for those within the securities industry to advance understanding of issues related to financial exploitation, cognitive aging and financial decision-making. The Senior Safe Act<sup>29</sup>, enacted in 2018, is an important law that assists in the protection of older Americans who are saving and investing in the nation's financial markets. Specifically, the law ensures that covered financial institutions, including investment advisers, broker-dealers and transfer agents, and their eligible employees can report on potential exploitation of seniors to a covered agency without potential barriers that could stem from liability for that action. In furtherance of the intent of this law, together with the North American Securities Administrators Association (NASAA) and SEC staff, FINRA provides a resource that securities firms may use to train associated persons about how to detect, prevent and report financial exploitation of senior and vulnerable adult investors.<sup>30</sup> The resource helps firms implement the federal requirements of the Senior Safe Act and state requirements relating to senior investor protection—and addresses other rules and laws relating to the protection of seniors and vulnerable adults. In addition, FINRA offers virtual programming on related topics, such as a March 2021 session on communication between APS and professional reporters of financial exploitation.<sup>31</sup> FINRA also oversees the securities industry continuing education program which includes administration of mandatory training for over 600,000 registered persons and recently introduced a new learning unit on financial exploitation of aging and vulnerable populations. Finally, FINRA maintains a catalog of e-learning courses for firms to use in furtherance of their training programs, and a number of these courses address diminished capacity, vulnerable populations and exploitation of senior investors.

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<sup>27</sup> See FINRA Regulatory Notice 07-43, *FINRA Reminds Firms of Their Obligations Relating to Senior Investors and Highlights Industry Practices to Serve these Customers* (September 2007), available at <https://www.finra.org/rules-guidance/notices/07-43>.

<sup>28</sup> For a compilation of FINRA rules, Notices, regulatory guidance and other materials related to senior investors, please visit *Key Topics, Senior Investors* on FINRA's website at <https://www.finra.org/rules-guidance/key-topics/senior-investors>.

<sup>29</sup> *Economic Growth, Regulatory Relief, and Consumer Protection Act*, Section 303, Public Law 115-174.

<sup>30</sup> FINRA, *Addressing and Reporting Financial Exploitation of Senior and Vulnerable Adult Investors* (June 2021) available at <https://www.finra.org/rules-guidance/key-topics/senior-investors/elder-abuse-prevention-training>.

<sup>31</sup> See FINRA Virtual Conference Panel, *Communication Between Adult Protective Services (APS) and Professional Reporters of Financial Exploitation* (March 3, 2021) (available at [Communication Between Adult Protective Services \(APS\) and Professional Reporters of Financial Exploitation](https://www.finra.org/events-training/virtual-conference-panels/social-distancing-impact-older-investors)). FINRA separately presented a virtual conference panel on the impact of social isolation on older adults. See FINRA Virtual Conference Panel, *Social Distancing and the Impact on Older Investors* (June 15, 2020) available at <https://www.finra.org/events-training/virtual-conference-panels/social-distancing-impact-older-investors>.

## *Resources for Investors*

FINRA, NASAA and staff of the SEC's Office of Investor Education and Advocacy launched a campaign in September 2021 urging investors to provide their financial firms with a trusted contact. The campaign features a new webpage, infographic and video, providing details on how a trusted contact can help investors when the firm cannot reach them—whether because of travel, a natural disaster, a health issue or when the firm is concerned about potential fraud.<sup>32</sup>

In addition to these efforts, FINRA's BrokerCheck tool provides investors with a quick way to check a broker's disciplinary and professional background. Encouraging people to take this simple step before doing business—or continuing to do business—with a broker is part of our ongoing commitment to protecting investors.

## *Training and Outreach*

FINRA also partners with the National Adult Protective Services Association and Adult Protective Services offices across the U.S. to enhance coordination and provide education on the financial services industry, fraud trends and the role that FINRA Rule 2165 provides to Adult Protective Services offices in working with firms to address potential financial exploitation.

The FINRA Foundation complements FINRA's senior protection and education initiatives by employing national, state and grassroots partnerships to develop and distribute fraud-prevention resources, conduct outreach, and train consumers, law enforcement professionals and victim advocates. Since 2008, the FINRA Foundation has touched hundreds of thousands of consumers with essential fraud prevention messages and trained more than 13,000 professionals (including law enforcement officers, social workers and victim advocates) from over 6,500 different federal, state and local agencies to assist those who have been victimized by investment fraud and other financial scams.

## **Pathways to Successful Financial Education for Adults**

Experience gained in the work supported by the FINRA Foundation over the past decade and a half has shown us that effective adult financial education has three critically important characteristics: (1) it makes people *want* to attend; (2) it creates a positive learning experience; and (3) it results in simple, immediate action steps. First and foremost, people must see major benefits from participating in financial education activities. But that alone is insufficient—financial education must also fit conveniently into people's daily lives and routines. This is true for any non-compulsory learning experience. Further, people must become aware that financial education is readily available to them. "Build it and they will come" may work for Field of Dreams, but it doesn't for financial education, which requires sustained efforts and appropriate marketing. Financial education also needs to be supportive, inclusive and respectful, and devoid

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<sup>32</sup> See [www.finra.org/trustedcontact](http://www.finra.org/trustedcontact).

of all stigma, and it must place the interests of the individual consumer ahead of any other considerations. For many, a social experience is most appealing, while others may prefer the privacy of a one-on-one coaching opportunity, either in person or online. The FINRA Foundation's work with the University of Southern California has shown that consistent educational interventions through video or text can also be effective in reducing the susceptibility to fraud.<sup>33</sup> Two specific channels for providing successful education include libraries and the workplace.

To help build a quality experience, for many years, the FINRA Foundation has worked with the American Library Association and others to build the capacity of public libraries to address the financial education and information needs of their communities.<sup>34</sup> To this end, the FINRA Foundation has made in excess of \$10.5 million in grants, often coupled with training for library professionals, to enable financial education experiences that align with these characteristics. Libraries that received these grants delivered thousands of programs and services that were strictly unbiased and that incorporated multiple ways of learning across a range of settings, both in and outside of library facilities—all at no cost to consumers. Participants could be assured that the information they received would be up-to-date, reliable and free of any sales pitches. The libraries worked with many different helping organizations, such as Cooperative Extension Agencies, higher education institutions and a host of social service and volunteer organizations. Such efforts benefited from public libraries' long-standing commitment to universal access for people with disabilities. Some of the most effective efforts integrated financial education into existing programs, such as citizenship and ESL classes or employment assistance and tax preparation services. This integrative approach maximized convenience for participants and provided an important context for making well-informed financial decisions.

Similarly, the workplace is very often an ideal setting for financial education, especially if it is done in ways that address both employer and employee needs. Since 2014, the FINRA Foundation has collaborated with United Way Worldwide and Catholic Charities on an initiative known as Financial Wellness at Work.<sup>35</sup> This demonstration program leverages the workplace as a platform for helping wage earners achieve financial stability and make progress toward longer-term financial goals, both for themselves and their families. Through this initiative, employees benefit from financial education and coaching that respects their need for privacy. They also receive resource coordination and access to consumer-friendly financial products and services to help them reduce debt and build assets. Because these services are typically delivered at the worksite and coordinated with employers' HR departments, common barriers to participation in financial education—such as lack of available after-hours childcare, additional transportation costs or simply a lack of time—are greatly reduced.

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<sup>33</sup> See <https://www.finrafoundation.org/sites/finrafoundation/files/can-educational-interventions-reduce-susceptibility-to-financial-fraud.pdf>

<sup>34</sup> See <https://smartinvesting.ala.org>.

<sup>35</sup> See <https://finrafoundation.org/people-we-help/financial-wellness-work>.

Employers benefit from a workforce that is less stressed by personal finance challenges that may affect job performance, that result in hardship withdrawals from retirement savings plans and that contribute to excessive employee turnover. Employers also build loyalty with their employees, who value these services as they do other employee benefits. The FINRA Foundation and its partners focus especially on smaller and mid-sized employers that might find creating their own stand-alone financial wellness programs too costly or administratively burdensome. The solution has involved identifying and supporting cooperative arrangements that enable nonprofit, consumer-oriented service providers to deliver programming for multiple employers in a highly cost-effective manner. Manufacturing and healthcare employers have been the most active industries in the program, which underscores the importance of helping essential workers.

For a growing number of Americans, effective financial education is as close as the nearest public library branch or the office break room. And as our virtual world expands, the public library and the worksite—and the financial education they enable—are sometimes just a click away. However, much needs to be done to expand these opportunities. Universal access to truly unbiased, consumer-friendly financial education and related services remains an ambitious goal. Everything the FINRA Foundation has learned about effective financial education points to the need for collaboration across agencies and sectors. Financial education works better when financial educators, and the organizations and agencies that support them, work together. Building a financially capable America across the lifespan is a common goal, and it requires collaborative and sustained efforts to achieve.

## **Conclusion**

As noted throughout this testimony, efforts to bolster and maintain financial literacy in older and vulnerable adults could prove beneficial with regard to a number of outcomes, including decision-making, scam susceptibility and psychological wellbeing. FINRA and the FINRA Foundation are committed to expanding the knowledge and confidence of Americans wishing to build a more secure financial future through saving and investing, and we share your interest in protecting those savings and investments.

Thank you again for inviting me to testify today about these important issues. I am pleased to answer any questions you might have.

## **Appendix: FINRA and FINRA Foundation Resources for Seniors and Vulnerable Adults**

### **Overview of FINRA's Efforts to Protect Senior Investors**

- Senior Investor Rule and Guidance: Key Topics:  
<https://www.finra.org/rules-guidance/key-topics/senior-investors>
- FAQ Regarding FINRA Rules Relating to Financial Exploitation of Seniors:  
<https://www.finra.org/rules-guidance/guidance/faqs/frequently-asked-questions-regarding-finra-rules-relating-financial-exploitation-seniors>
- FINRA Securities Helpline for Seniors:  
<https://www.finra.org/investors/have-problem/helpline-seniors>

### **FINRA Rules Relating to Seniors**

(available at [www.finra.org](http://www.finra.org))

- [Rule 4512](#) – Customer Account Information
- [Rule 3241](#) – Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer
- [Rule 2165](#) – Financial Exploitation of Specified Adults

### **FINRA Regulatory Notices**

(available at [www.finra.org](http://www.finra.org))

- [Regulatory Notice 07-43](#) – Firm Obligations re: Senior Investors
- [Regulatory Notice 09-42](#) – FINRA Reminds Firms of Their Obligations with Variable Life Settlement Activities
- [Regulatory Notice 11-52](#) – FINRA Reminds Firms of Their Obligations Regarding the Supervision of Registered Persons Using Senior Designations
- [Regulatory Notice 16-12](#) – FINRA Provides Guidance on Firm Responsibilities for Sales of Pension Income Stream Products
- [Regulatory Notice 17-11](#) – SEC Approves Rules Relating to Financial Exploitation of Seniors
- [Regulatory Notice 19-27](#) – Retrospective Review: FINRA Requests Comment on Rules and Issues Relating to Senior Investors
- [Regulatory Notice 19-36](#) – FINRA Requests Comment on a Proposed Rule to Limit a Registered Person from Being Named a Customer's Beneficiary or Holding a Position of Trust for or on Behalf of Customer
- [Regulatory Notice 20-34](#) – Proposed Amendments to FINRA Rule 2165 and Retrospective Rule Review Report
- [Regulatory Notice 20-38](#) – FINRA Adopts Rule to Limit a Registered Person from Being Named a Customer's Beneficiary or Holding a Position of Trust for or on Behalf of a Customer

## **Selected FINRA Foundation Research**

### **Aging and Financial Decision Making**

<https://www.finrafoundation.org/knowledge-we-gain-share/aging-and-financial-decision-making>

- *Race and Scam Susceptibility: Key Risk Factors for Older African Americans.* (2021). Authored by researchers from the FINRA Foundation and Rush University Medical Center.
- *The Relation of Loneliness and Cognition with Financial and Healthcare Decision Making in Older Persons.* (2021). Authored by researchers from the FINRA Foundation, Rush University Medical Center and Indiana University School of Medicine.
- *Does Overconfidence Increase Financial Risk Taking in Older Age?* (2020). Authored by researchers at the FINRA Foundation, Duke University, and Rush University Medical Center.
- *Confidence in Financial Literacy and Cognitive Health in Older Persons.* (2020). Authored by researchers at the FINRA Foundation and Rush University Medical Center.
- *The Adverse Impacts of Declining Financial Literacy in Old Age.* (2020). Authored by researchers at the FINRA Foundation and Rush University Medical Center.

### **Financial Capability**

<https://finrafoundation.org/knowledge-we-gain-share/understanding-financial-capability-americans>

- *Bridging the Divide: A Closer Look at Changes in the Racial and Ethnic Composition of Investor Households.* (2021). Authored by researchers at the FINRA Foundation.
- *Financial Anxiety and Stress Among U.S. Adults: New Evidence from a National Survey and Focus Groups.* (2021). Authored by researchers at the FINRA Foundation and George Washington University's Global Financial Literacy Excellence Center.
- *Bouncing Back? The Financial Resilience of Americans.* (2021). Authored by researchers at the FINRA Foundation and Fairleigh Dickinson University.
- *Nontraditional Workers Face Multiple Barriers to Saving for Retirement.* (2021). Partially funded by the FINRA Foundation and authored by researchers at the Pew Charitable Trusts.  
[https://www.pewtrusts.org/-/media/assets/2021/11/nontraditionalworkersbarrierstosaving\\_v3.pdf](https://www.pewtrusts.org/-/media/assets/2021/11/nontraditionalworkersbarrierstosaving_v3.pdf)



- *The Stability and Predictive Power of Financial Literacy: Evidence from Longitudinal Data.* (2020). Authored by researchers at the FINRA Foundation, University of California's Center for Economic and Social Research, and George Washington University's Global Financial Literacy Excellence Center.
- *The Extra Costs of Living with a Disability in the United States.* (2021). FINRA Foundation-funded research authored by researchers at Stonybrook University, The University of Tennessee, Burton Blatt Institute, and the Government College University Lahore.  
<https://journals.sagepub.com/doi/abs/10.1177/10442073211043521>
- *The State of U.S. Financial Capability: The 2018 National Financial Capability Study.* (2019). Authored by researchers at the FINRA Foundation and ARC Research.  
<https://www.usfinancialcapability.org/downloads.php>  
Note: Previous National Financial Capability reports can also be found on this page.
- *Financial Capability of Adults with Disabilities.* (2017). FINRA Foundation-funded research authored by researchers at the National Disability Institute.  
<https://www.nationaldisabilityinstitute.org/wp-content/uploads/2019/01/ndi-finra-report-2017.pdf>

### **Understanding and Combating Financial Fraud**

<https://www.finrafoundation.org/knowledge-we-gain-share/understanding-and-combating-financial-fraud>

- *Exposed to Scams: Can Challenging Consumer Beliefs Protect Them from Fraud?* (2021). Authored by researchers from the FINRA Foundation, University of Minnesota, BBB Institute for Marketplace Trust, and the Federal Trade Commission.  
Note: This is a follow-up report to the 2019 *Exposed to Scams: What Separates Victims from Non-Victims?* (see below)
- *Can Educational Interventions Reduce Susceptibility to Financial Fraud?* (2021). Authored by researchers at the FINRA Foundation and the University of Southern California's Center for Economic and Social Research.
- *Addressing the Challenge of Chronic Fraud Victimization.* (2021). Authored by researchers from the FINRA Foundation and AARP.
- *Exposed to Scams: What Separates Victims from Non-Victims?* (2019). Authored by researchers from the FINRA Foundation, BBB Institute for Marketplace Trust, the Stanford Center on Longevity, and the Federal Trade Commission.

## **Training for the Securities Industry**

- Joint work related to the *Senior SAFE Act Training* (by FINRA, SEC Staff and NASAA), <https://www.finra.org/rules-guidance/key-topics/senior-investors/elder-abuse-prevention-training>
  - Training: Addressing and Reporting Financial Exploitation of Senior and Vulnerable Adult Investors - (June 2021): <https://www.finra.org/rules-guidance/key-topics/senior-investors/elder-abuse-prevention-training>
  - Senior Safe Act Fact Sheet (May 19, 2019): [https://www.finra.org/sites/default/files/2019-05/senior\\_safe\\_act\\_factsheet.pdf](https://www.finra.org/sites/default/files/2019-05/senior_safe_act_factsheet.pdf)
- Communication Between Adult Protective Services (APS) and Professional Reporters of Financial Exploitation (March 2021): <https://www.finra.org/events-training/virtual-conference-panels/communication-between-adult-protective-services-aps-and-professional>
- Social Distancing and the Impact on Older Investors (June 2020): <https://www.finra.org/events-training/virtual-conference-panels/social-distancing-impact-older-investors>

## **Training Collaborations Aimed at Consumers**

- **Trusted Contact Campaign:**
  - Press Release: FINRA, NASAA and SEC OIEA Urge Investors to Establish a Trusted Contact to Increase Investor Protection, <https://www.finra.org/media-center/newsreleases/2021/finra-nasaa-and-sec-oiea-urge-investors-establish-trusted-contact>
  - Campaign Resources (including video and factsheet), [www.finra.org/trustedcontact](http://www.finra.org/trustedcontact)

## **Other Training Materials**

- ***Taking Action: An Advocate's Guide to Assisting Victims of Financial Fraud (2018):***
  - A resource from the FINRA Foundation and the National Center for Victims of Crime providing a roadmap for consumer advocates to assist victims in the wake of a financial crime: [www.finrafoundation.org/takingaction](http://www.finrafoundation.org/takingaction)

## **FINRA Investor Insights**

- *Establishing a Trusted Contact*  
<https://www.finra.org/investors/learn-to-invest/brokerage-accounts/establish-trusted-contact>
- *Three Resources for Senior Investors*  
<https://www.finra.org/investors/insights/three-resources-for-senior-investors>
- *Steps to Plan for Diminished Financial Capacity and Illness*  
<https://www.finra.org/investors/insights/diminished-financial-capacity>
- *When a Brokerage Account Holder Dies—What Comes Next?*  
<https://www.finra.org/investors/insights/when-brokerage-account-holder-dies>
- *Talking Money with Mom: Gender, Generation and Financial Knowledge*  
<https://www.finra.org/investors/insights/gender-generation-and-financial-knowledge>
- *Protecting Seniors from Financial Exploitation*  
<https://www.finra.org/investors/insights/senior-financial-exploitation>
- *Planning Ahead—Have You Chosen Your Beneficiaries?*  
<https://www.finra.org/investors/insights/choosing-beneficiaries>
- *4 Financial Resources for Senior investors*  
<https://www.finra.org/investors/insights/resources-senior-investors>
- *Managing Money Through Grief: 10 Tips for Widows and Widowers*  
<https://www.finra.org/investors/insights/managing-money-through-grief-10-tips-widows-and-widowers>
- *Emotions Increase Susceptibility to Fraud in Older Adults*  
<https://www.finra.org/investors/insights/emotions-increase-susceptibility-fraud-older-adults>
- *When a Loved One Passes, What Happens to Their Accounts?*  
<https://www.finra.org/investors/insights/when-loved-one-passes-what-happens-their-accounts>
- *5 Things to Know About Preparing a Will*  
<https://www.finra.org/investors/insights/5-things-know-about-preparing-will>
- *Lock Down Your Financial Emergency Kit*  
<https://www.finra.org/investors/insights/lock-down-your-financial-emergency-kit>

- *Managing Your Retirement Income:*
  - <https://www.finra.org/investors/learn-to-invest/types-investments/retirement/managing-retirement-income>
  - <https://www.finra.org/investors/insights/retirement-planning-numbers>

### **FINRA Investor Alerts**

- *It Pays to Pay Attention to Your Brokerage Account Statements* (2016)  
<https://www.finra.org/investors/alerts/pay-attention-brokerage-account-statements>
- *It Can Be Hard to Recover from “Recovery” Scams* (2016)  
<https://www.finra.org/investors/alerts/it-can-be-hard-recover-recovery-scams>
- *Boiler Room Alert: If You Get a Call Like This, Don’t Bite—and Don’t Buy* (2015)  
<https://www.finra.org/investors/alerts/boiler-room-alert-if-you-get-call-dont-bite-and-dont-buy>
- *Tools of the Fraud Trade: Phones and Emotions* (2015)  
<https://www.finra.org/investors/alerts/phones-and-emotions>
- *Promissory Notes Can Be Less Than Promised* (2014)  
<https://www.finra.org/investors/alerts/promissory-notes-can-be-less-promised>
- *Plan for Transition: What You Should Know About the Transfer of Brokerage Account Assets on Death* (2009)  
<https://www.finra.org/investors/alerts/plan-transition-what-you-should-know-about-transfer-brokerage-account-assets-death> (updated in 2015)
- *Seniors Beware: What You Should Know About Life Settlements* (2009)  
<https://www.finra.org/investors/alerts/seniors-beware-what-you-should-know-about-life-settlements>

## **Investor Tools**

(available at <https://www.finra.org/investors/tools-and-calculators>)

- **FINRA BrokerCheck** (confirm whether investment professionals and firms are licensed)
- **Investment Professional Designations** (research what it takes to earn and maintain an investment designation—and what the designation's acronym stands for)
- **Retirement Calculator** (help make sure you have enough to see you through retirement)
- **401(k) and IRA Required Minimum Distribution Calculator** (determine your Required Minimum Distribution (RMD) from a traditional 401(k) or IRA)
- **401(k) 'Save the Max' Calculator** (determine if you are on track to 'save the max' in your 401(k) by maximizing your contributions each pay period under allowed IRS limits)
- **Risk Meter** (see whether you share traits that make investors vulnerable to fraud)
- **Scam Meter** (this tool will help you tell if an investment opportunity might be a scam)
- **Con 'Em If You Can** (this game from the FINRA Foundation and Commonwealth teaches players about the types of persuasion tactics used to perpetrate financial fraud, so they are better able to defend against these tactics)

## **FINRA Conferences**

- Communication Between Adult Protective Services (APS) and Professional Reporters of Financial Exploitation (2021)  
<https://www.finra.org/events-training/virtual-conference-panels/communication-between-adult-protective-services-aps-and-professional>
- Social Distancing and the Impact on Older Investors (2020)  
<https://www.finra.org/events-training/virtual-conference-panels/social-distancing-impact-older-investors>
- Financial Crimes, Trends and Responses – In the Midst of the Pandemic (2020)  
<https://www.finra.org/events-training/virtual-conference-panels/financial-crimes-trends-and-responses-midst-pandemic>

## **Continuing Education Program Courses**

(available at <https://www.finra.org/registration-exams-ce/continuing-education>)

- ***Financial Exploitation of Senior and Vulnerable Adults – NEW EL-ELC261 | 1.0 CE Credit***  
This course is designed to help registered representatives understand their responsibilities in protecting senior and vulnerable adult clients from financial exploitation. Scenarios demonstrate the importance of recognizing and escalating respective red flags, and highlight specific rules and regulations that can help registered representatives fulfill their responsibilities to safeguard their clients from financial abuse.
- ***Senior Investor Issues: Diminished Decisional Capacity EL-ELC158 | 1.0 CE Credit*** This course consolidates the insights and research of leading academic, medical and legal professionals, psychologists and organizations on the topic of diminished decisional capacity. It provides information that registered representatives may find useful for identifying, working with and responding to senior investors or other customers with potential diminished—or diminishing—decisional capacity.
- ***Senior Investor Issues: Financial Exploitation EL-ELC247 | 0.5 CE Credits*** This course reminds registered representatives that fulfilling their regulatory obligations can help to protect senior investors from financial exploitation. Participants are presented with scenarios to help them learn how to detect situations or “red flags” that might indicate a senior client is being financially exploited.