

Insights: Financial Capability

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This issue brief summarizes the findings from a paper titled “Financial fragility and scam susceptibility in community dwelling older adults” published in the [Journal of Elder Abuse & Neglect](#). The corresponding author for this issue brief and the full manuscript is Lei Yu (lei_yu@rush.edu).

Who’s at Risk? Financial Fragility May Put Older Adults at Risk for Scams

Summary

Older adults are disproportionately targeted by scams and financial fraud, and victimization is on the rise. Given the significant financial and health implications associated with fraud, understanding which factors are tied to scam susceptibility is critical. It is not completely clear if financial fragility is linked to scam susceptibility, particularly in older age. Our study examined this association and found that while only about 10 percent of the older adults assessed were classified as being financially fragile, those who were so classified exhibited higher levels of scam susceptibility than those who were not financially fragile. Older age, cognitive health, and financial literacy were also strongly tied to scam susceptibility. These findings suggest that targeted efforts to reduce financial fragility and bolster literacy and cognitive health are important for the prevention of elder financial exploitation.

Background

Older adults are frequently targeted by fraudsters and scammers [1], and victimization among this age group appears to be on the rise. In 2020, more than 105,000 fraud complaints filed through the FBI’s Internet Crime Complaint Center (IC3) involved victims over the age of 60, twice what this age group reported in 2015 [2]. Financial losses among older adults in 2020 approached \$1 billion, surpassing losses of all other age groups. In 2021, although the number of complaints involving victims over the age of 60 dropped to nearly 92,000, monetary losses reported increased significantly to more than \$1.6 billion [3]. And actual losses are likely to be much higher, as many older adults are unaware of or unwilling to report victimization [4].

Several studies suggest that financial fragility is an important risk factor for financial fraud and scams among the general adult population. A Federal Trade Commission survey found that individuals who reported more debt than they can comfortably handle are twice as likely to be victimized by fraud than those reporting no debt [5]. Similar results have been reported specifically for internet fraud [6]. And a more recent survey showed that financially fragile individuals, in particular, are more susceptible to scams [7]. Yet it is unclear whether these findings extend to older populations. The proportion of financially fragile

individuals is low among baby boomers and the silent generation [8, 9], and the relationship between financial fragility and scam susceptibility in older adults is not well understood.

In this issue brief, we examine the association between financial fragility and scam susceptibility in older adults^a. We use data from nearly 900 older adults who reside in the greater Chicago metropolitan area and participate in Rush Alzheimer’s Disease Center community-based cohort studies of aging [10, 11]. Older adults were enrolled without known dementia and agreed to ongoing annual clinical and neuropsychological evaluations, as well as a decision-making assessment that includes questions about financial fragility and scam susceptibility.

Measures

Financial Fragility

We assessed financial fragility by measuring older adults’ confidence in their ability to come up with \$2,000 within one month to cover an unexpected expense. Participants rated their confidence on a four-level scale, from extremely confident to not at all confident. Those who reported being little or not at all confident were classified as financially fragile.

Scam Susceptibility

We assessed older adults’ susceptibility to scams through a five-item instrument that is based on educational information provided by AARP and questions from the FINRA risk meter. Participants rated their tendency to answer, listen to, and have difficulty ending phone calls from strangers or telemarketers. They also rated the extent to which they agreed with the following statements: *Older persons are common targets by con artists* and *Something is not true if it sounds too good*. Questions were rated on a scale from 1 (strongly agree) to 7 (strongly disagree).

Other Factors Considered

Participants reported their gender, education, income, and race/ethnicity. We calculated age using date of financial fragility assessment and date of birth. We measured financial literacy using a 23-question instrument adapted from the Health and Retirement Survey, which assesses older adults’ financial and institutional knowledge as well as numeracy skills. We measured financial decision making using a performance-based measure that mimics real-world materials used for choosing mutual funds. Finally, we measured cognition by summarizing older adults’ performance on 18 different cognitive tests.

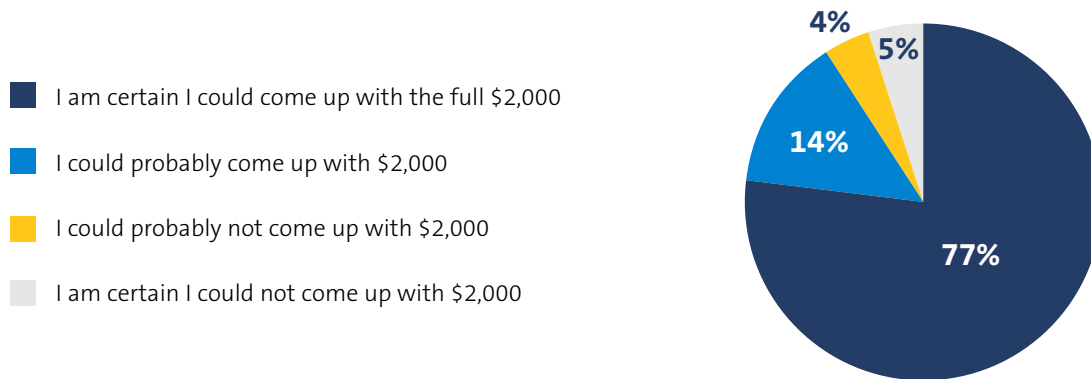
Key Findings

#1 Nearly 1 in 10 Older Adults Surveyed Report Financial Fragility

Nearly 10 percent of participants were classified as financially fragile, reporting little or no confidence in their ability to access \$2,000 in a month (see Figure 1). This figure is smaller than what is typically reported for younger age cohorts. One study found that about half of 18- to 65-year-olds were unable to come up with \$2,000 in a month [12], with the proportion of financially fragile individuals highest among younger adults.

The FINRA Foundation’s 2018 National Financial Capability Study also found age differences in financial fragility. Whereas 34 percent of 25- to 60-year-old Americans reported being unable to come up with \$2,000 in a month, the proportion of financially fragile individuals over age 60 was lower [13]. In fact, only 14 percent of the respondents over age 74 reported financial fragility. Our result aligns with research that suggests financial fragility is less common in older populations. However, it remains an important problem among older adults, particularly given that many have limited opportunities to overcome financial fragility.

Figure 1. Proportion of Older Adults Reporting Financial Fragility



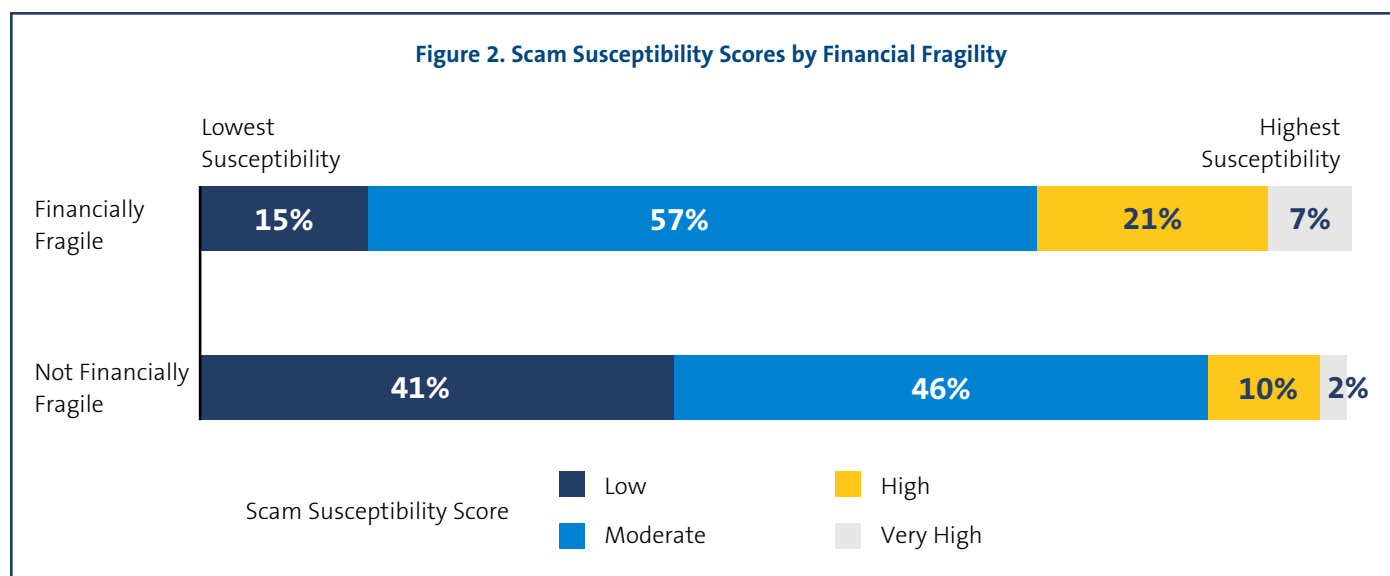
#2 Some Factors Are Tied to Financial Fragility in Older Adults

On average, we found that financially fragile older adults had fewer years of education completed and lower income and that they exhibited lower cognition, lower financial literacy, and poorer financial decision-making skills than their non-financially fragile counterparts.

Notably, the proportion of Black older adults reporting financial fragility was four times higher than that of other race and ethnicities (19 percent compared to about 4 percent), suggesting Black older adults may be particularly vulnerable to unexpected financial shocks. Female older adults were twice as likely as males to be financial fragile (about 10 percent compared to about 6 percent). Age was not associated with financial fragility, possibly due to the restricted age range in this sample.

#3 Financially Fragile Older Adults Are More Susceptible to Scams

Financially fragile older adults were more than twice as likely to display high or very high levels of scam susceptibility (12 percent versus 28 percent) than non-fragile counterparts. Even after adjusting for key demographic factors (i.e., age, gender, income, and educational attainment), the average scam susceptibility score for financially fragile older adults was higher than that of their non-financially fragile counterparts. The role of financial fragility in scam susceptibility is even more striking when compared to the role of age. The difference in susceptibility to scams between older adults with and without financial fragility was equivalent to the difference of nearly a decade in age.



Note: Scam susceptibility scores were calculated by averaging participants' individual scam susceptibility ratings and ranged from 1 to 5.2, with higher scores indicating greater susceptibility. Low scam susceptibility scores correspond to those in the bottom 25 percent (scores below 1.6); moderate scores correspond to those in the 25 to 50 percent range (from 1.6 to less than 2); high scores correspond to those in the 50 to 75 percent range (from 2 to less than 2.8); and very high scores correspond to those with susceptibility scores in the top 75 percent (2.8 and higher). Individual bars may not add up to 100 percent due to rounding.

In separate analyses, we explored how, in addition to financial fragility and demographic factors, cognition, financial decision making, and financial literacy were tied to scam susceptibility. We found that lower cognition and financial literacy were each strongly associated with greater scam susceptibility. However, financial fragility persisted as a significant factor, and the magnitude of the association remained essentially the same. This suggests that even in the presence of adequate cognition and financial literacy, financial fragility may still predispose older adults to fraud and scams.

Conclusions and Implications

Our study explored the role of financial fragility in scam susceptibility among older adults. We found that while financial fragility was somewhat uncommon among this population (10 percent of the sample), it was closely linked to scam susceptibility. Further, those who were financially fragile tended to have fewer years of education and lower incomes and were more likely to be Black. They also tended to exhibit lower cognition, lower financial literacy, and poorer financial decision making.

These findings expand upon prior work examining factors related to scam susceptibility in older adults and suggest that financial fragility is a key risk factor among this population. Gaining insights on the impact of financial fragility on fraud is critically important in the wake of the COVID-19 pandemic, as the pandemic put financial stress on thousands of households [14], potentially driving many into financial fragility. At the same time, COVID-19-related fraud is prevalent, as are other common schemes that specifically target the elderly (e.g., Social Security scams) [15]. As fraudsters continue to take aim at older adults, financially fragile older adults may be more vulnerable than their counterparts not experiencing financial fragility. Beyond being more vulnerable to fraud, older adults tend to suffer greater monetary

losses than younger age groups, and they have less time and fewer options to make up for losses. This can lead to a vicious cycle that further deteriorates the financial wellbeing of older adults. Understanding who is at risk for scams and fraud (*e.g.*, low socioeconomic status, low cognition, low financial literacy, and poor financial decision making) can help regulatory and consumer protection agencies prioritize resources toward the most vulnerable populations.

Finally, our study suggests that both having financial resources and the capability to adeptly manage these resources are essential to safeguard older adults' financial wellbeing and related financial and health outcomes. Scam prevention and intervention strategies are likely to be more effective when they use multipronged approaches that (1) promote cognitive health, (2) encourage emergency savings to minimize the impact of unexpected financial shocks, and (3) leverage educational programs to build financial knowledge and skills in older adults.

Acknowledgement

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Endnotes