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Here's the Latest Way Advisors Are Shielding Clients From Fraud

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It's a common refrain: An individual, often someone elderly, doesn't review her account regularly and, suddenly, she's a victim of fraud.

That's what happened to a 91-year-old client of Gary Schatsky, president of IFC Personal Money Managers in New York. The client lost more than $2,400 after a fraudster added a new payee name and dollar amount to a previously used check and withdrew unauthorized funds from her account. It had happened to the client before, and the bank had covered the roughly $7,000 theft. In the recent instance, however, the bank refused to eat the cost, saying the incident was reported after the allowable window had passed.

Many people don't pay enough attention to transactional accounts, such as checking, savings and credit card accounts, leaving them vulnerable to fraud or simple mistakes that can be costly. That's one reason why some financial advisors are going on the offensive. They're offering third-party services to clients, at no cost or at discounted rates, to help identify when something unusual is happening. These services send alerts to clients, trusted individuals, and sometimes advisors themselves, about anomalies such as unusually large transactions or unauthorized credit card use.

Although the alerts can benefit people of any age, they can be especially useful for older clients, who may need extra help from loved ones to manage their finances and avoid financial predators. Four in 10 caregivers report the person they care for has already been a victim of financial fraud, according to the Allianz Life 2021 Retirement Risk Readiness Study. What's more, both elder financial abuse victims and caregivers report about $60,000 in average losses, according to the study. Receiving proactive notification of a suspected issue could help identify problems before they become a major headache and financial loss, advisors say.


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One of these platforms is EverSafe. Clients can sign up directly, but EverSafe also partners with wealth managers such as Raymond James and Fidelity. Advisors can then get a holistic view of all their client's alerts on a single dashboard, says Howard Tischler, co-founder and CEO. The ability to do this depends on what an advisory firm allows and its clients' preferences, he says.

The system looks for anomalies such as unusual withdrawals, missing deposits, irregular investment activity, changes in spending patterns, and late bill payments. The platform's "trusted advocate" feature enables users to designate family members, professionals, or other trusted individuals to receive alerts and assist in monitoring, which can be especially helpful for older clients.

"Even meticulous investors may not be able to monitor their accounts as regularly as they age," says Sandra Adams, a certified financial planner with the Center for Financial Planning in Southfield, Mich. "That's when we become vulnerable." Adams' firm offers the service at a discount to clients. She's also been using EverSafe for her own accounts for a few years and was able to quickly catch the unauthorized use of her credit card. "It's spot on," Adams says. "When things happen, I know about it immediately."

Another option that performs similar functions is Carefull. There's a consumer-oriented version that some advisors pay for and offer to clients for free. The service sends alerts about unusual account activity to what it calls "trusted Circle" members designated by users, but these members don't have access to users' actual accounts. Carefull also doesn't hold credentials for bank accounts or credit cards.

Carefull has also recently rolled out a Pro version for advisors, which includes an analytics dashboard, customized invitation flow for clients, and other features, says Todd Rovak, the company's co-founder. This allows them to see alert activity for clients who have signed up for the service and gives them the opportunity to follow up.

Today the service is focused on transactional accounts—namely credit card, checking, and savings—which is where fraud, mistakes and misuse occur most regularly, he says. The company has the ability to include brokerage and advisory accounts, but advisors have said they are more interested in tracking the accounts and behaviors they can't see, Rovak says.

John Cooper, a certified financial planner with Greenwood Capital in Greenwood, S.C., says he's been testing the platform with his son, who recently graduated college. It's helpful to have a second set of eyes to make sure nothing is amiss, he says, adding that his firm is actively considering using the platform for clients.

eMoney Advisor, which makes popular financial planning software, allows clients to link their bank and credit card accounts and set up multiple types of alerts to inform them about a low cash balance, large expense, large deposit, or when their budget is exceeded, among other things.

Catherine Valega, a wealth consultant with Green Bee Advisory in Winchester, Mass., who uses the eMoney platform, encourages clients to set up these alerts, especially the one for large expenses. They determine what constitutes a large transaction, and if one occurs that they didn't authorize, they'll know about it quickly and be able to take prompt action, she says.

"Using digital tools gives us more time to address a situation should one arise," Valega says.

eMoney also offers the option for advisors to view client' alerts on a dashboard. "In addition to notifying advisors of their clients' account activity, these alerts help the advisor deliver dynamic financial planning and adjust financial plans as components of a client's financial picture may change," a company spokesperson says.

Not all advisors are comfortable receiving alerts on behalf of clients, and some firms don't allow the practice. Financial professionals should check with their firms' compliance departments before opting to receive alerts to ensure they are following protocol.

The SEC does not have any rules preventing an investment advisor from being the point of contact for third-party identity theft/credit monitoring service alerts, according to a spokesperson. For its part, Finra would consider the facts and circumstances of the situation, according to a spokesperson. For example, if the financial professional would have an obligation or ability to act on the customer's behalf with the third-party service, it could be a "position of trust" subject to the requirements of Finra Rule 3241, the spokesperson says. The rule limits any Finra-registered person from being named a beneficiary, executor, or trustee, or having a power of attorney or similar position of trust for or on behalf of a customer.

Even firms that don't use these alert-based services say they are mindful of issues that can crop up, especially with older clients who may be more prone to financial slip-ups and abuse.

"This area is one of intense research and study by all financial firms as well as fintech innovators to find that solution that protects clients without an onslaught of false positives that impinge upon the dignity, autonomy, and privacy of clients, particularly older ones who may already feel threatened by some of the efforts to consider them 'vulnerable' merely because they cross an aging threshold," says Ron Long, head of Wells Fargo Aging Client Services.

He adds that the firm has started piloting an Aging Client Innovation Forum where it schedules fintech firms to pitch their solutions.

Other firms say they are actively educating advisors about the risks of financial abuse and the signs to watch out for. JPMorgan Chase , for example, has a firm-wide Elder Vulnerable Person program, which includes standards that its advisors are required to follow.

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