



Ten Red Flags of Diminished Capacity

A report by the Securities and Exchange Commission's Office of Compliance Inspections and Examinations, North American Securities Administrators Association, and Financial Industry Regulatory Authority outlined practices used by financial service firms for interacting with older investors. The report lists "signs" or "red flags" identified by firms that may indicate that an investor could have diminished capacity or a reduced ability to make decisions regarding their finances.

These signs include, but are not limited to a client who:

- ❖ 1- Appears unable to process simple concepts.
- ❖ 2- Appears to have memory loss.
- ❖ 3- Appears unable to recognize or appreciate the consequence of decisions.
- ❖ 4- Makes decisions that are inconsistent with her or her current long-term goals and/ or commitments.
- ❖ 5- Demonstrates erratic behavior.
- ❖ 6- Refuses to follow appropriate investment advice. This may be particularly concerning when the advice is consistent with previously stated investment objectives.
- ❖ 7- Appears to be concerned or confused about missing funds in his/her account, where reviews indicate there were no unauthorized money movements or no money movements at all.
- ❖ 8- Is not aware of, or does not understand, recently completed financial transactions.
- ❖ 9- Appears to be disoriented with surroundings or social setting.
- ❖ 10- Appears uncharacteristically unkempt or forgetful.



Seeing those red flags? Learn the next steps!

[CLICK HERE](#) for our 3 page free **FACT SHEET FOR ADVISORS: Know What Actions to Take When You See the Red Flags**