October 28, 2021

The Honorable Robert Casey
Chair
U.S. Senate Special Committee on Aging
G31 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tim Scott
Ranking Member
U.S. Senate Special Committee on Aging
G31 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Casey and Ranking Member Scott:

On behalf of our nearly 38 million members and all older Americans nationwide, AARP submits this letter for the record in response to the Senate Special Committee on Aging’s annual report on improving financial literacy and decision-making for older adults and people with disabilities.

Today, individuals have greater demands on their financial decision-making than ever before. However, many Americans lack the resources or knowledge they need to navigate these complex issues successfully. Topics such as enrolling in health insurance, saving for retirement, claiming Social Security, or protecting oneself from fraud and abuse can be difficult. Americans need reliable assistance, education, and training to help them take on the wide variety of financial issues that can arise throughout their lives. Below are several examples that illustrate the complex, daily decisions older Americans face. AARP looks forward to furthering the dialogue around these issues and working with the Committee to find solutions to support and strengthen decision-making for older Americans.

Social Security
For millions of Americans, decisions pertaining to their Social Security retirement and disability benefits can be both complicated and enormously consequential. Unfortunately, many are unprepared for such decisions. A 2020 AARP survey found only 19 percent of respondents felt they were “very informed about how Social Security works” and over 40 percent mistakenly believed exhaustion of the trust funds meant Social Security would not be able to pay any benefits.

The Social Security Administration (SSA) is well-placed to help Americans better understand and make informed decisions about their benefits. Unfortunately, SSA continues to experience significant customer services challenges, largely due to chronic underfunding. Telephone busy rates have tripled over the past decade, while call wait times increased six-fold. Between 2008 and 2019, most individuals who filed disability appeals waited more than 1 year for a final decision, with 110,000 people having died while waiting. At the same time, policymakers are
exploring options for expanding access to paid leave, with some proposals requiring SSA to administer the new benefit. Older Americans are concerned this new administrative requirement would further burden SSA, diminish its already inadequate customer experience, and potentially threaten access to their benefits.

In addition, while SSA provides many of its services online, AARP remains concerned about those who may require or benefit from in-person or over-the-phone interactions with SSA to receive critical services. Many older Americans, residents of rural communities, those who are at-risk, or those with low incomes may not have access to a computer or the internet. Others may lack comfort navigating online platforms like My Social Security and may be profoundly disadvantaged by greater emphasis on online tools. And while SSA has recently updated its annual Social Security statement, AARP remains concerned about SSA’s discontinuation of mailing statutorily required annual paper statements to those over the age of 25.

Improved funding is necessary to restore customer service at SSA and to empower older Americans to make more informed decisions about their retirement and disability benefits. Congress must make significant investments in SSA if we are to expect progress in addressing major deficiencies in SSA customer service and disability claims processing. In addition, SSA should conduct more vigorous oversight of its customer service experience, be more transparent with the customer service data it collects and provide this data to both Congress and stakeholders.

**Enrolling in Medicare**
Signing up for Medicare for the first time can be challenging for older Americans and their family caregivers. They often enter the enrollment process not fully aware of the number of decisions they will need to make and become overwhelmed by options. AARP encourages everyone to begin thinking about Medicare enrollment well before reaching Medicare eligibility at age 65. We remain supportive of the Beneficiary Enrollment Notification and Eligibility Simplification (BENES) Act provisions that direct the Social Security Administration to work with the Department of Health and Human Services to inform potential Medicare beneficiaries of their eligibility annually for several years before turning age 65. This will help ensure potential Medicare beneficiaries approaching age 65 have adequate time to plan for their transition to Medicare. We also urge continued investment in programs and resources to assist people in navigating the enrollment process. Increasing staffing and training of the 1-800-MEDICARE helpline and ensuring state health insurance assistance programs are appropriately funded to meet demand will have a significant impact on improving Medicare decision-making and reducing the anxiety that comes with enrolling in Medicare.

**Downsizing a home**
AARP supports efforts to allow older adults to age where and how they choose. More than three quarters of people age 50+ prefer to age in their home or community, yet less than half believe they will be able to. In many cases, older adults will need access to funds to modify their homes so they can remain there safely. This may mean loans to pay for modifications, such as by using home equity to refinance existing mortgage, taking out a second mortgage or home equity line of credit, or a reverse mortgage. Borrowing at older ages can be a source of concern, as older consumers are sometimes victims of equity stripping scams. Older adults may also seek
alternative housing solutions for many reasons, including the affordability and maintenance requirements of a single-family detached home, lack of access to transportation alternatives when they cannot or choose to no longer drive, or a desire to relocate to be near family or friends. For those who seek to downsize in their community, often few alternatives exist. Increasingly, communities recognize the value of accessory dwelling units (ADUs), which gently and discretely add smaller secondary units in existing communities, thereby allowing older adults more choices in how to remain in their neighborhood. However, there remain significant shortcomings in the mortgage market that prevent more people from utilizing this approach. Particularly for older adults who are retired or those who lack a steady income, it can be challenging to secure home equity lines of credit or cash-out refinancing (the most common sources of ADU financing beyond personal savings) – especially in locations where home equity is inadequate to cover the cost of construction.

**Responding to a natural disaster loss**
The increasing frequency and severity of natural disasters are taking a severe toll on older adults, as they often represent a disproportionate share of fatalities resulting from a disaster (e.g., in Hurricane Katrina, older adults made up 15 percent of the population of New Orleans but 70 percent of storm-related deaths). Risk accrues to those who survive disasters and are confronted with the complexities of securing emergency assistance from FEMA to undertake necessary repairs to restore their home to a safe and habitable condition. Numerous obstacles emerge, including requirements to request and track FEMA disaster assistance online (a challenge for those 15 percent of older adults who have no access to the internet in the home), the risk of exposure to fraudulent contractors who capitalize on distressed residents desperate for help, and FEMA’s policies that hinder disaster assistance awards without clear proof of ownership (which was cause for 40 percent of requests in Puerto Rico after Hurricane Maria to be denied). Moreover, older adults who outright own their homes are less likely to have flood insurance (required by many lenders in flood-prone areas), further exacerbating their difficulty securing the necessary funds to restore impacted homes. Without sufficient access to and support to navigate the complicated world of post-disaster recovery aid, older adults are exposed to heightened health risks associated with mold and moisture (in flooded homes), smoke (in areas with frequent wildfires), heat (particularly in urban heat islands), and the emotional distress of rebuilding one’s life after a disaster.

**Successful Retirement**
AARP is committed to helping all Americans plan for their future. We recognize there are many challenges to achieving retirement goals, especially when faced with complicated rules and technical financial jargon. Complex investment decisions regarding retirement plans may have profound effects on a retiree’s financial well-being and independence. And more education and assistance is needed to inform workers on how to save for retirement. For instance, too many workers cash out their retirement savings plan when they change jobs or experience financial emergencies. While this may provide short-term assistance, cash-outs create significant tax consequences and greater risk for diminished financial security for retirees and their families in the future. AARP also recognizes that the number of financial capability programs in the U.S. is growing. It is difficult to measure the effectiveness of these programs in increasing knowledge of managing finances and encouraging sound financial behaviors. However, the Federal Reserve Board has found that increased knowledge may lead to improvements in financial management.
Furthermore, improvements to financial disclosures can be combined with financial capability efforts to increase the likelihood that consumers can better receive, understand, and compare financial products. Consumers, industry, and the government need to work together to develop programs that effectively inform and help families adequately save and manage their finances.

Additional policy changes should also be considered. For instance, Congress should discourage pre-retirement cash-outs of retirement funds and instead encourage account portability and stable lifetime income streams, such as periodic withdrawal options and fixed lifetime annuities at retirement age. In addition, most defined contribution (DC) plans do not accept account rollovers or permit contributions to portable accounts to help workers consolidate savings. Most DC plans do not offer fixed annuities or periodic payment options to help ensure retirees have adequate distribution options and do not outlive their money.

Research shows that individuals with emergency savings accounts are 2.5 times more likely to be confident in their long-term financial goals. Employer-facilitated emergency savings programs—some of which leverage existing retirement savings vehicles—are growing in popularity. In a recent AARP survey, 87 percent of working adults said they support “laws that make it easier for employers to offer a safe and simple way for employers to save for emergencies.” AARP looks forward to working with the Committee and other groups to encourage asset preservation, portability, and to provide low-cost options that meet workers’ needs.

**Risk of Fraud Activity**

Sadly, every financial issue in which individuals are responsible for making their own decisions is a potential opportunity for scammers. For example, calls to our Fraud Watch Network Helpline during Medicare open enrollment are replete with reports that scammers are out en masse seeking to convince beneficiaries that they will receive a new card from Medicare and need to verify their Medicare numbers. Throughout the year, Medicare beneficiaries get calls offering free medical equipment or tests, and all they need to do is provide their Medicare number. In some cases, beneficiaries are threatened that their benefits will be cut if they do not agree to take an at-home screening test. All the scammer wants is that Medicare number, with which they can bill Medicare for millions of dollars in false claims or sell the numbers to the highest bidder on the dark web. The same goes with natural disasters, where scammers impersonate FEMA and offer help for a fee or pose as contractors with extra supplies from a recent job that they can use to help fix the victim’s property damage.

Additionally, in recent years Social Security scams have ramped up. In January 2021, the Social Security Administration Office of Inspector General (SSA-OIG) reported receiving more than 718,000 Social Security scam complaints over the last year, roughly 2,000 complaints a day. These criminals pose as friendly Social Security officials who need to confirm personal information. Some use fear tactics to coerce the target to share their Social Security number or risk it being suspended. They may even call with good news like new eligibility for an increased cost of living adjustment.

As older adults increasingly manage their finances using online and mobile platforms -- especially with bank branch closures during the COVID-19 pandemic -- additional risks arise. Without a paper trail, mistakes and errors may be more likely to go undetected or may be harder
to resolve. A small but growing number of older adult complaints filed with the Consumer Financial Protection Bureau involve fraud and scams involving money transfer, virtual currency, or money services businesses. While in many cases digital transactions can streamline people’s finances and unlock new possibilities, people are also often unaware of how their rights may be affected by the use of these platforms. For example, 52 percent of respondents to a 2019 AARP survey erroneously believed that if they transferred funds to the wrong person using a peer-to-peer platform, they would be able to get their money back.

This is a problem not only when money is accidentally sent to the wrong person, but particularly when money may be transferred to scammers and is irrecoverable. In these cases, while education is a crucial part of the equation, it needs to be coupled with strong consumer protections. This includes enforcement of consumer financial laws and regulations that already exist, such as dispute resolution rights, disclosure provisions, interest rate caps, and prohibitions on unfair, deceptive, or abusive acts or practices. Wherever possible, consumers should be educated about loopholes in the law and policymakers should strive to close these loopholes. As we noted in comments to the Federal Reserve earlier this year regarding its proposed FedNow platform for faster payments, without protections in place, innovations such as faster payments may also become a vehicle for faster fraud.

Overall, reported losses from fraud and scams rose from $2.5 billion in 2019 to $3.4 billion in 2020. This merely accounts for reported losses, and we know fraud is severely under-reported. Scammers are super-sophisticated and organized, yet victims often internalize societal victim-blaming, deterring them from coming forward. More education around the narrative of how we talk about victims is necessary, especially for policymakers, lawmakers and direct outreach to the public. When it comes to scams, the tendency is to focus fault on the victim. By encouraging awareness, the narrative can shift, and victims may not feel shame in reporting the crimes against them, and public policy can catch up to the rampant crime in this space.

**Conclusion**

AARP has a long history of working to ensure Americans have the financial knowledge, skills, and tools they need to more effectively manage their financial lives as they age. As such, AARP is pleased to support the Senate Special Committee on Aging’s efforts to increase the dialogue around financial literacy and decision-making for older Americans. If you have any questions, please feel free to contact me or have your staff contact Jasmine Vasquez on our Government Affairs staff at jvasquez@aarp.org or (202) 434-3711.

Sincerely,

Bill Sweeney
Senior Vice President
Government Affairs