

## **Member Firm Case Study: Potential Cognitive Decline**

On May 1<sup>st</sup>, our broker received a call from Sally Spouse, the wife of Stanley Spouse. Sally and Stan are both in their 70s, retired, and they rely on Stan's retirement account (not a joint account) through the brokerage to pay their expenses. The retirement account is the only account the couple holds at the firm. On the phone call, Sally told the broker that she was concerned because her husband had been exhibiting strange behaviors, including being extremely forgetful, confused and acting out of character. She also indicated "that he just does not seem like himself." Stan Spouse had been experiencing bad headaches and she was worried his confused behavior might be a medical problem. She had urged him to visit the doctor to get checked, but he had refused. She noted that this was also out of character because he had always trusted his doctor.

Sally urged the broker to not allow Stan to make any trades on his account until she was able to convince him to see his doctor. She was worried that he might make some bad decisions on his retirement account. The broker notified the firm's Seniors Compliance program seeking advice regarding Stan Spouse.

A compliance consultant called Sally Spouse and discovered that she was going through serious health issues herself and extremely concerned about their retirement funds. She needed to have an operation and was worried that she would "wake up from the operation and find that we are bankrupt because he was allowed to make a bad trade."

Unfortunately, the state where the Spouses live does not have a law that provides brokerage firms with the necessary tools to directly address such issues. Without any documentation that Stan was incapable of managing his own finances, the brokerage would be violating the law if they did not allow Stan to conduct transactions on his brokerage account. This puts the firm in a tricky situation of either relying on the spouse's statement that her husband cannot act on his account (which exposes the firm to a lawsuit from Stan and potential regulatory actions), or taking a trade request from Stan and potentially placing the retirees in serious financial trouble. Fortunately, Stan has not requested any transactions, but if he does, the firm will have to make a decision regarding how to proceed and there will not be an easy answer.