Accredited Investors At 80 Or More Years Old

By: www.ProfitableInvestingTips.com

As American society ages, so do those among us with significant wealth. This poses a problem in regard to how well an aging person manages their wealth. It particularly poses a problem in regard to the designation accredited investor which is needed to qualify a person for more complicated and potentially more lucrative investments. Do accredited investors at 80 or more years old have what it takes to deal with complicated and risky investments? *Bloomberg* wrote about a geriatric previously multimillionaire **client with dementia** who is suing JPMorgan over losses.

What Is an Accredited Investor?

There are relatively safe investments that provide small to moderate returns. And there are more risky investments that potentially provide greater returns. The Securities and Exchange Commission uses this term in regard to which investors are allowed to make certain potentially risky albeit potentially very profitable investments. Stock brokers use the same approach when allowing the trading of risky option contracts. The point is that you need to have enough cash flow via work or investments and, commonly, proof of skills needed to be allowed to use some investment vehicles.

When the Accredited Investor Definition Does Not Work

The SEC website carries an article that discusses **unsophisticated “sophisticated” investors** or folks who fit the criteria for accredited investor but whose investment savvy does not rise to the task at hand. The authors of the article make the point that people age 80 and over who fit the accredited investor criteria are 80% less likely to have the same financial literacy scores as investors in the 60 to 64 year range who do not fulfill the accredited investor criteria.

Who Is Responsible For Investment Decisions of Others?

The government steps in to make laws and set up specific rules when there has been a problem. For example, the Federal Deposit Insurance Corporation was created after thousands of banks failed in the 1930s taking the life savings of many people with them. At the same time banks were banned from investing in stocks, which had been the issue with many of the banks that failed at that time. The accredited investor rule is similarly designed to protect those without the wealth or the knowhow to take on excessive investment risk. So, on one hand we have Warren Buffett in his 90s making billion dollar investments and retirees with millions of dollars going broke because of unwise investment decisions. Should Warren Buffett need to take a competency test before buying more Apple stock? Should wealthy mom and pop investors be limited to putting money in US Treasuries? Should those promoting investments be held responsible when the cognition of one of their clients fails?

How Big Is the Potential Wealthy Elderly Investor Problem?

The *Bloomberg* article is about an eighty-year-old who lost $50 million over 5 years following the advice of JPMorgan as his mental faculties declined. There are just under 20 million accredited investor households in the USA. Folks over 80 represent a significantly larger proportion of this group than lesser age groups. 13 million Americans are over 80. 1,325,016 over 80 households fall into the accredited investor category. Meanwhile, two out of three people over age 70 show some evidence of cognitive decline and women can generally expect to end their lives with 3.2 years of relative dementia while the time frame for men is 1.8 years.

Considering that there are lots and lots of mentally competent people well into their 80s it does not seem necessary to set some sort of age limit to the accredited investor designation. However, it would seem appropriate that folks like JPMorgan should be monitoring the account of a man in is 80s who is losing tens of millions of dollars each year!

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