Wealth Management with Memory Disorders

What steps can a family take?

Besides impacting lives and relationships, dementia can also impact family finances. It may call for another family member to assume money management responsibilities for a parent, grandparent, or sibling. It may increase the risk of financial exploitation, even as we do our best to guard against it.

Just how many older adults have memory disorders? Well, here are two recent estimates. The Chicago Health and Aging Project figures that nearly a third of Americans 85 and older have Alzheimer's disease. The National Institute on Aging sponsored a study, which concluded that 14% of Americans age 71 and older have dementia to some degree.[1]

Older women may be the most vulnerable to all this. A new Merrill Lynch and Age Wave study notes that after age 65, women have twice the projected risk of Alzheimer's that men do.[2]

In the best-case scenario, parents or grandparents acknowledge the risk. They lay out financial maps and instructions, telling adult children or grandchildren who love them dearly about the details of their finances. They involve the financial professional they have long known and trusted and introduce them to the next generation. All this communication occurs while the elder still has a sound mind.

Absent that kind of communication and foresight, some catching up will be in order. The kids will have two learning curves in front of them: one to understand the finances of their elders and another one in which they discover the degree of care they can capably provide. The stress of these two learning curves can be overwhelming. Asking professionals for help is only reasonable.

The earlier the basic estate planning elements are in place, the better. This means a will, a durable power of attorney, a health care proxy, and possibly a revocable living trust. In cases of significant wealth or a complex personal history, more sophisticated estate planning vehicles may be needed. If a durable power of attorney is in place, another person has the ability to act financially in the best interest of the person with dementia.[1]

Children and grandchildren must also confer about major decisions. What kind of assisted living facility would be best for dad? How much of mom's retirement savings should be used for her eldercare? How do we convince dad that he should not manage his investments day-to-day anymore? What do we do now that mom seems totally unaware she has to make an IRA withdrawal? These will be hard conversations, trying decisions. If they never occur, however, the household financial damage may grow worse.[1,3]

Financial inattention or incompetence may be one of the first signals of Alzheimer's disease or another form of dementia. The National Institute on Aging explains that difficulty paying for an item in a store or figuring out a tip at a restaurant could amount to early warning signs; trouble counting change or reading a bank or investment statement may also reflect cognitive impairment. These instances may be harbingers of problems to come – unpaid bills, impulsive and questionable investment decisions, and unwise credit card purchases.[4]

Should a household sign up for Social Security's representative payee program? This may be a good idea. Many retirees have never heard of this option, which lets a designated, approved second party receive and manage monthly Social Security benefits on their behalf. The monthly benefit is sent to that representative, who must document to Social Security that the money was spent in the senior's best interest. According to the Center for Retirement Research at Boston College, just 9% of Social Security recipients older than 70 with dementia were enrolled in this program in 2017.[2,3]

Elders suffering from such disorders often resist relinquishing financial control. Allowing limited financial independence (credit cards with lower limits, access to some cash for discretionary spending) may make the transition easier. Loved ones can also emphasize that seniors are so often victims of fraud and other forms of financial elder abuse.

The time to think about these things is now. We have all read horror stories of elders owing years of back taxes, facing lawsuits from creditors, or falling prey to investment scams. Your parents, grandparents, or siblings should not be left to experience such crises.

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Citations.

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