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Financial skills deteriorate early in cognitive impairment

The statistics are frightening. As the older population expands, it is estimated that at least one-half of adults in their 80's have dementia or at least some mild cognitive impairment. This same group holds a disproportionate portion of the wealth in this country, trillions of dollars in wealth collectively, but no one, including themselves, may realize that they have become vulnerable financially as they do not understand financial decision making as they used to do. A recent *New York Times* article offers some insight into this issue. (www.nytimes.com/2015/04/25/your-money/as-cognitivity-slips-financial-skills-are-often-the-first-to-go.html?emc-edit_x).

Dr. Daniel Marson, a neuropsychologist and director of the Alzheimer's Disease Center at the University of Alabama at Birmingham identifies some subtle signs that are easy to miss. Identifying the risks in investments becomes more difficult as the older adult may just focus on the benefits. Completing tasks on a list of financial "to-do" projects may take longer, such as paying bills. Math used frequently such as calculating a tip at a restaurant or doing calculations that require two steps become more challenging. Concepts such as medical deductibles and minimum balances required in savings accounts become harder to grasp.

While many people continue to handle financial decisions and tasks though life, one concept in the article might explain the tendency for even those with healthy brains to slow or even falter as they age. "Fluid intelligence" or the ability to solve new problems slowly declines over time even starting in our 20's. This decline is partially offset by "crystallized intelligence" which is the result of growing experience and wisdom. Crystallized intelligence plateaus in an adult's 70's and combined with declining fluid intelligence, persons in their 80's and 90's become more vulnerable. If family or other trusted advisors are not prepared to help or even attuned to the need to help, disastrous consequences may occur.

David Laibson, an economics professor at Harvard, offers some suggestions. He wishes that all 65 year olds would consolidate their financial accounts, reducing "money clutter." He suggests having the essential estate planning documents in place, including specific Powers of Attorney which some financial institutions require (not intended to substitute for a general durable Power of Attorney). If access to credit is no longer needed, it is possible to "freeze" older person's credit to avoid theft. Automate all bill payments possible. The Agent can request duplicate statements and notices so that it is possible to catch missed payments or payments that may be suspicious early.

One financial advisor suggests assembling a protective "tribe" or a handful of people who are willing to step in if and when the need arises. This might reduce the chances of senior abuse as it offers checks and balances.

It would seem that the most important message of this article is to plan ahead and not to leave it to chance that one will be able to manage financial decisions effectively throughout one's lifetime.