# The financial perils of dementia

## How to help protect your loved ones


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It's no secret that Americans are living longer. But for many people, increasing lifespans come with the loss of cognitive function and even dementia. One of the key dangers for those afflicted—and a major worry for their loved ones—is the possibility that they could fall victim to financial fraud or abuse. We have many clients coping with loved ones in this situation, and we thought it would help you to know how to protect your own family from the financial effects of cognitive loss, Alzheimer's disease and other forms of dementia.

As with most things in life, the best way to help an aging parent or other family member avoid financial difficulties brought on by dementia is to be proactive in your planning efforts. Start talking with your loved one about personal finances while he or she is still healthy or in the earliest stages of the illness. This will help to build the trust needed for a gradual transition in financial management, which is often crucial for their financial well-being.

**Early signs of cognitive loss**

According to the Centers for Disease Control and Prevention, dementia is an umbrella term for a group of cognitive disorders typically characterized by memory impairment and difficulty in "executive function," or the ability to plan, organize and reason. Alzheimer's disease is perhaps the most common form of dementia, though several others exist.

Besides changes in physical and emotional health, people with dementia lose their capacity to perform the financial tasks of daily living. In fact, this may be the first noticeable sign of the disease, and an early indication that a person is losing the ability to live independently. Sadly, as the disease progresses, most people lose all ability to manage their finances on their own.

Some of the signs that your loved one could be experiencing difficulty with personal finances include trouble making change, paying for a purchase or calculating a tip; forgetting to pay bills, losing payments or writing the same check multiple times; finding new or strange purchases on credit card statements or new merchandise in the home. Look for sudden changes in account balances, overdue payment notices, discontinued utility, telephone or other services.

**Taking action**

You or other family members can take proactive steps if an elder is exhibiting signs that he or she needs help managing financial affairs.

- **Visit regularly.** Ask about phone calls the person has received and watch for a full mailbox. Large numbers of mailings from marketers or charities could indicate that the elderly person is on a "sucker list." Consider changing the person's telephone number to prevent other con artists from contacting him or her to pursue fraudulent activity.

- **Guard the mail and trash.** Deposit outgoing mail in collection boxes or at the post office. Open a post office box for incoming mail. Shred personal documents before discarding them.
- **Set up automatic bill payments.** If your loved one is open to your help, suggest establishing automatic online bill payments and check deposits. Having a centralized, easily monitored system for all incoming and outgoing money will provide protections from potential fraud, while helping you ensure that bills are paid on time.
- **Inventory key documents.** Even if your loved one is unwilling to grant you access to his or her financial accounts, it is important that you, or someone else he or she trusts, know where all important documents are kept. This includes documents associated with investments (deeds, titles, stocks, bonds, IRA accounts, etc.), benefits (pension, insurance, Social Security, etc.), expenses (bank accounts, monthly and other bills, etc.), as well as legal documents such as wills or durable powers of attorney.
- **Use the National Do Not Call Registry.** Call 888-382-1222 or visit *donotcall.gov*. This will help to limit phone calls from telemarketers.
- **Discuss hazards.** Tell your loved one that it is never a good idea to divulge personal information in person, over the phone or online, or to hire someone who shows up at the door unsolicited.
- **Keep computers protected.** If the person has a home computer, be sure he or she has the latest security updates and virus protection installed.

**Advanced protection strategies**

Family members and caregivers must plan ahead for a time when a loved one will no longer be able to make decisions. The most important thing is to build consensus on the delegation of financial decision-making and to establish trusts and other wealth protection strategies before serious problems surface.

- **Financial durable power of attorney (DPOA)**—If you ever become ill and incapacitated for a period of time, it is important to have someone (referred to as your "agent" or "attorney-in-fact") authorized to make financial decisions on your behalf. A financial durable power of attorney is the legal document in which you designate your attorney-in-fact. Unlike a standard power of attorney that becomes invalid upon your incapacity, the document may be made "durable" so that it remains in force throughout incapacity until your death or until it is revoked. Your designated agent will be able to pay bills, authorize transactions and manage your overall financial affairs.
- **Revocable living trust**—A revocable living trust (RLT) is a legal document that functions in much the same way as a will. You can appoint an individual to administer your assets and outline how your assets are to be distributed. In the event of incapacity, a RLT may be used to assign the responsibility for management of trust assets to another individual (i.e., co-trustee or successor trustee). In order for a revocable trust to work effectively, the trust must be "funded." This means you will need to retitle your assets from your individual name (or JTWROS, TIC, etc.) to your RLT.

These are just some of the ways you can help to protect your loved one's finances should illness impair his or her ability to do so. Please contact a financial advisor for help forging a more comprehensive plan.

**Sources**

Alzheimer's Association, *alz.org*
*National Institute on Aging (NIA)*
*AgingCare.com*
*DementiaCareCentral.com*

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