Dementia Is Not Only a Family Matter; It's Also a Financial Matter

When a close relative or friend starts to display signs of dementia or related neurological ailments, it is a family tragedy requiring speedy action and medical care. But in many cases, the disease comes on gradually, and it becomes evident with inconsistencies in behavior and sometimes, problems with money.

It is not uncommon for older people with diminished cognitive function to be a ready target for scams and ID theft as well as out-of-character decisions with regards to savings or investments.

If this were you in five, 10 or 20 years, would you have a plan?

Last July, a Mayo Clinic study reported that men were twice as likely as women to develop mild cognitive impairment over the age of 70, a transitional phase between healthy aging and full-blown dementia, which is a significant loss of intellectual and memory abilities severe enough to interfere with social or occupational functioning. Women develop Alzheimer's disease in greater numbers than men, but that's due largely to the fact that women live longer than men.

So when does this become a money issue? In the best circumstances, as part of a full estate planning process before an individual becomes ill. In the worst, it needs to happen immediately after a loved one is diagnosed.

Once stricken, older relatives may be unable to understand questions or express their wishes in proper detail. If there is no plan, family members grasp at responsibilities – or shirk them – without any idea of what the older relative would really want.

So what's the answer? Everyone should make a plan that includes the worst-case scenario of incapacity in one's long-term financial plan.   Some key points:

Have a discussion with people you trust to make decisions for you: It's not fun to imagine yourself in the state dementia brings, but it's important to consider trigger points where trusted people would step in to do specific functions for you. It would make sense to pre-select individuals as your executor as well as your health and financial powers of attorney, responsible for paying bills and executing your specific investment wishes under specific circumstances.

Make sure how major assets will be used to pay for care: If an elderly relative becomes sick and irreversibly incapacitated, the equity in your home may come under consideration as a resource to pay uncovered medical or household maintenance. Since the home is both a major asset and an emotional focal point, it's best to get good advice and spell out specifically what you want done you're your property and under what conditions.

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Pick the right experts: It would be wise to confer with a tax professional as well as a trained financial expert such as a CERTIFIED FINANCIAL PLANNER™ professional. The professionals and nonprofessionals in this role should have significant experience working with seniors and be prepared to interact with other members of your team if they notice anything particularly out of character in your future actions.

Put it in writing: Once you've established the team that will carry out your wishes in a variety of situations – not just in the case you are diagnosed with dementia – then you should have such instructions written into a formal estate plan with the necessary powers of attorney as well as your updated will.

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