

The Cost of Cognitive Impairment: The Impact of Cognition on Financial Decision-Making

September 8, 2022

South Bay Estate Planning Council

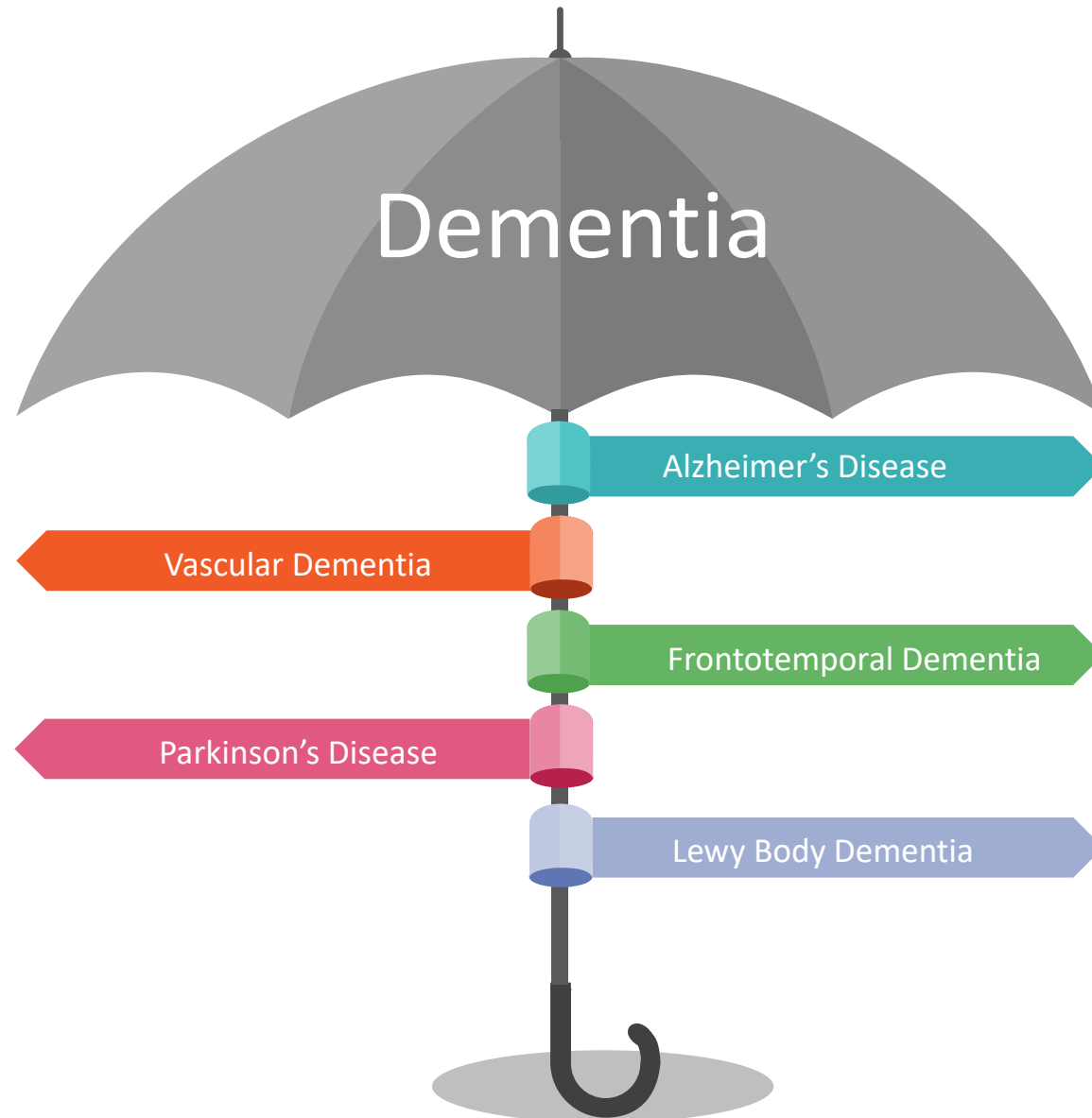
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Agenda

- **Alzheimer's disease and dementia statistics**
- **What is cognitive impairment?**
- **What are the implications of cognitive impairment on financial independence?**
- **Recommendations to empower financial decision-making.**
- **Summary & Conclusion**

Alzheimer's Disease vs. Dementia



Prevalence of Alzheimer's Disease

6.5 million

Americans 65+ living with Alzheimer's

1 in 9

age 65+ has Alzheimer's



Nearly

2 out of every 3

with Alzheimer's are women

In 2020, COVID-19 contributed to a

17% increase

in Alzheimer's and dementia deaths

Older African Americans are

2x more likely

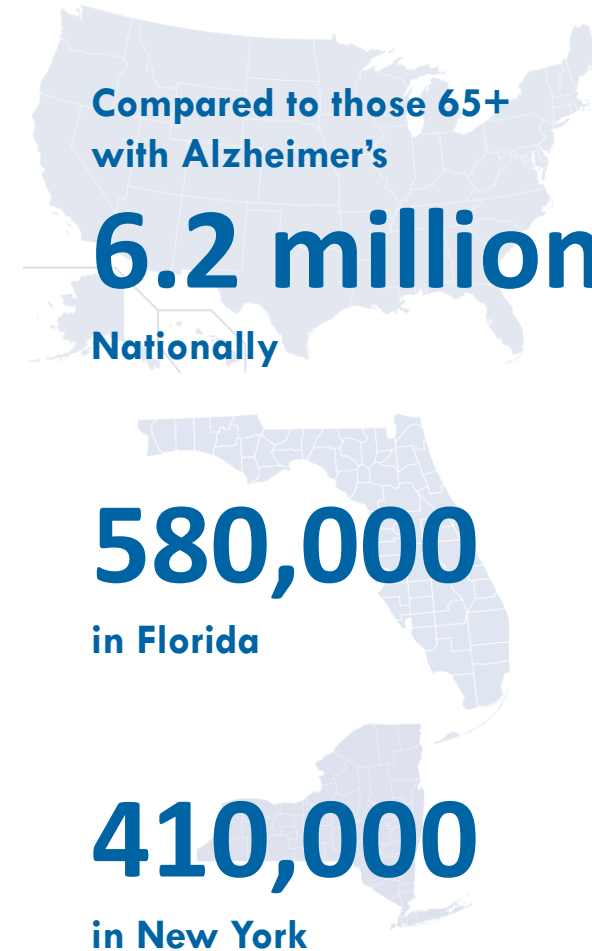
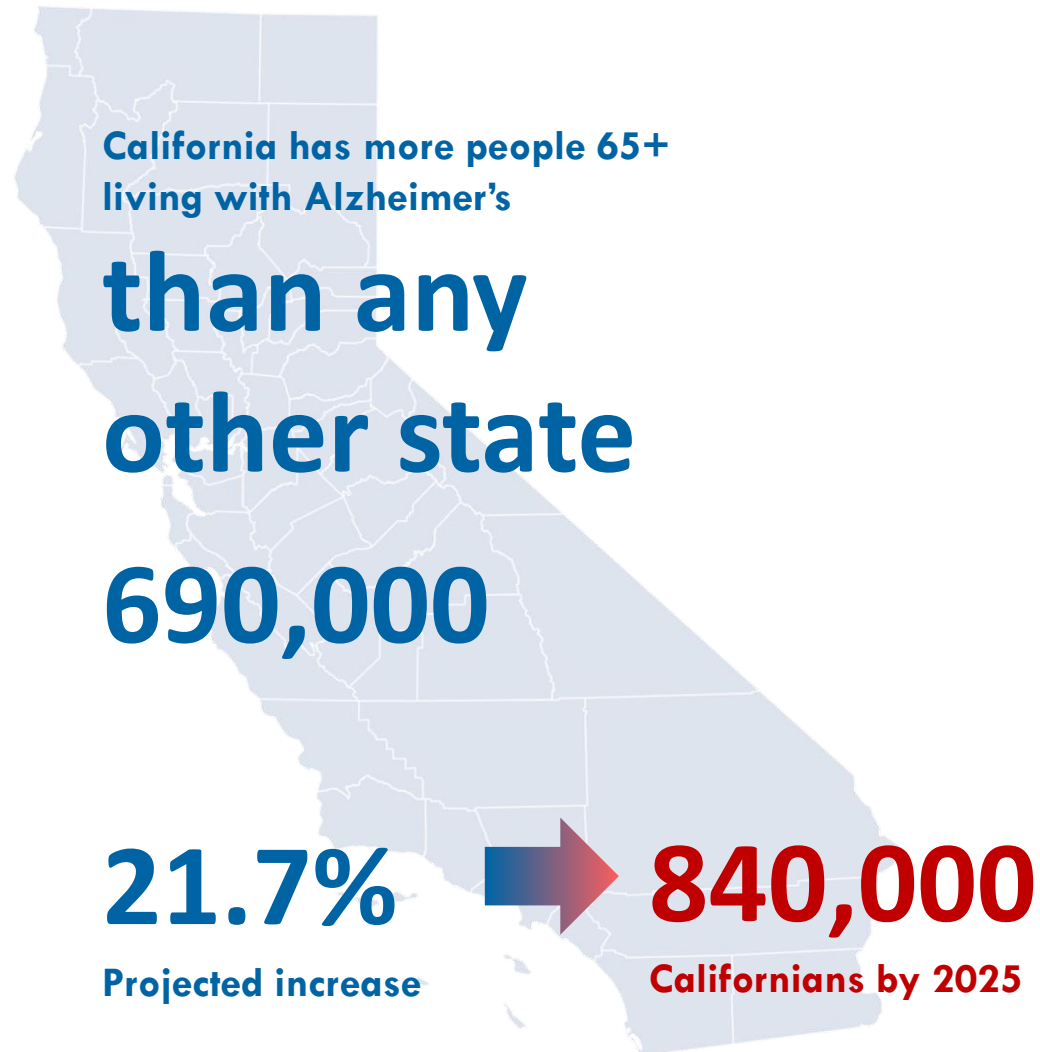
to have Alzheimer's than older whites

Hispanics are

1.5x more likely

To have Alzheimer's than older whites

Alzheimer's Prevalence in California



Local Impact

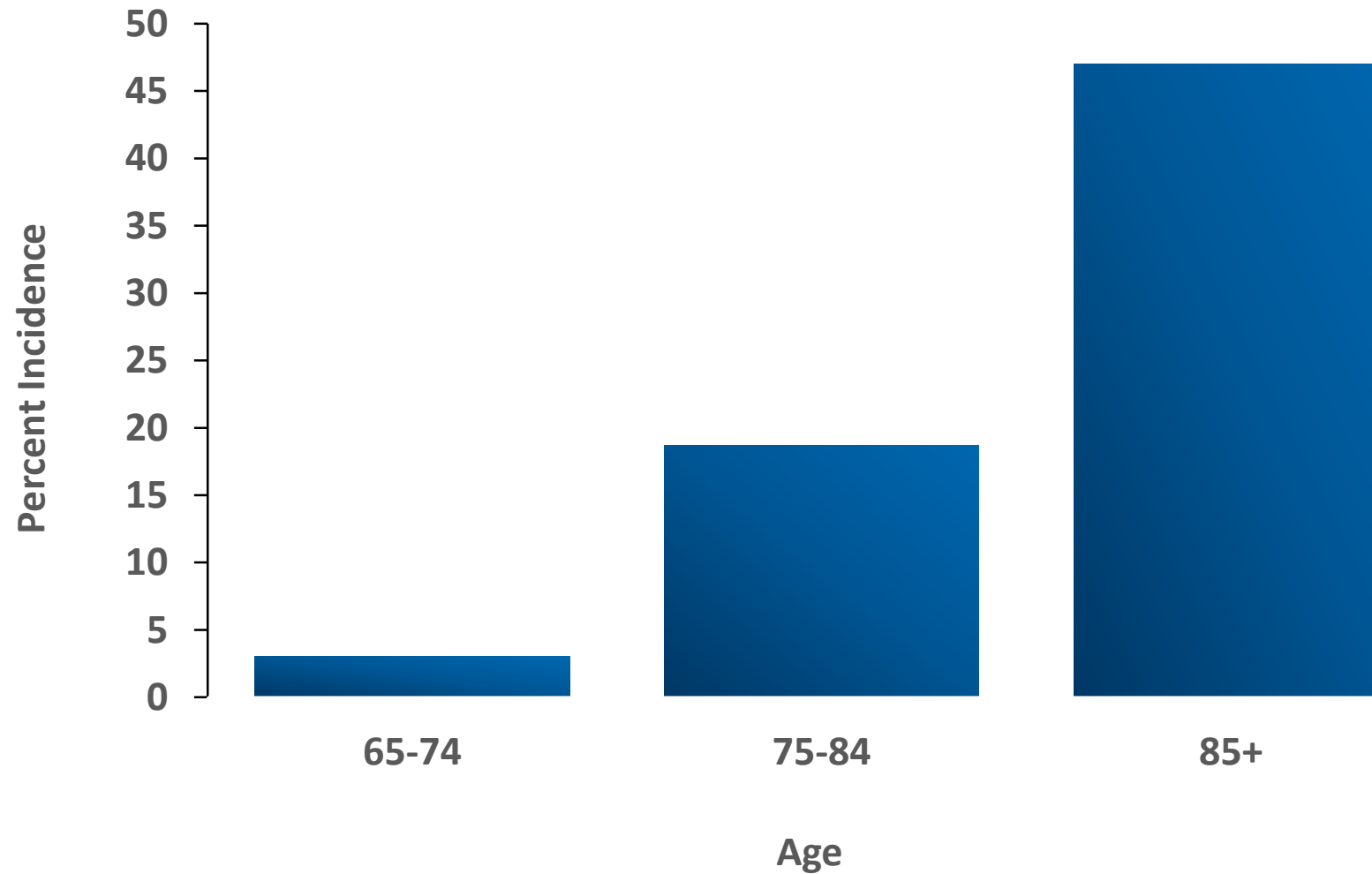


people with
Alzheimer's

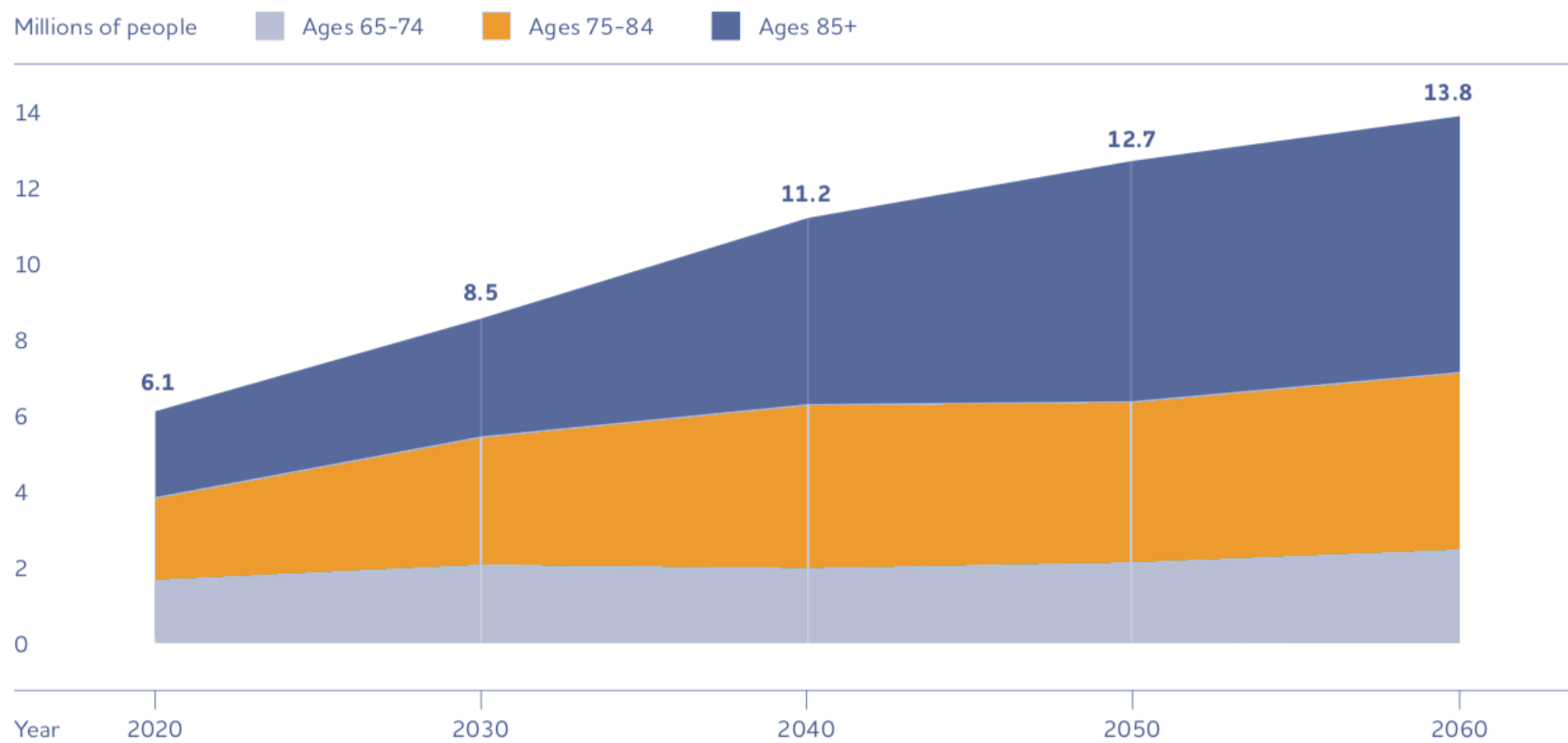


leading cause
of death

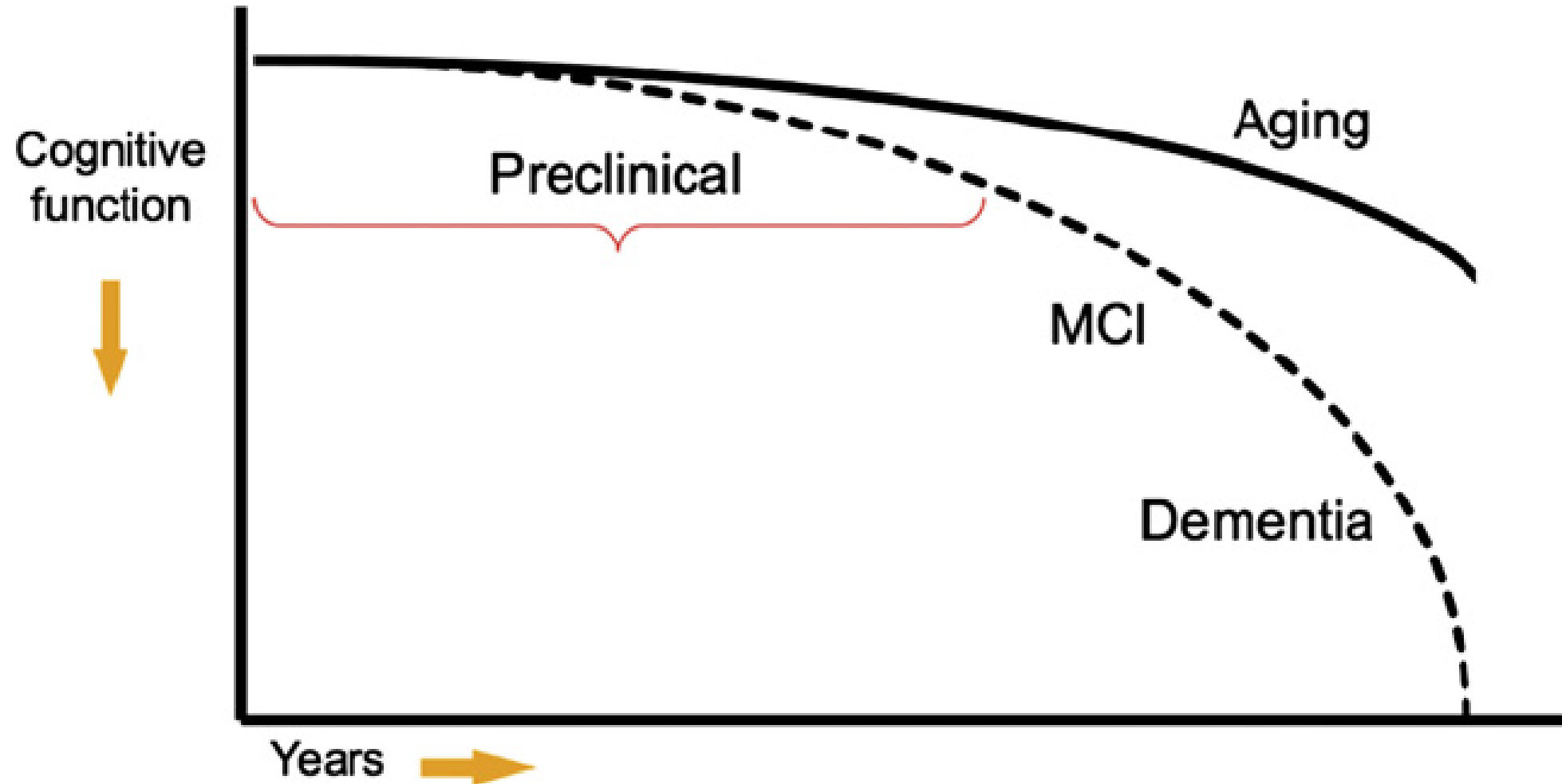
Strongest Risk Factor: Age



Projected Number of People Age 65 and Older (Total and by Age) in the U.S. Pop. with Alzheimer’s Dementia, 2020 to 2060



AD is an Insidious Neurodegenerative Disorder



Cognitive Functioning

- Cognition
 - The mental process of acquiring knowledge and understanding through thought, experience, and the senses.
- Cognitive impairment exists on a spectrum
 - Mild Cognitive Impairment
 - Evidence of modest cognitive decline in one or more cognitive domains (often demonstrated on cognitive assessments)
 - Cognitive deficits do not interfere with one's ability to independently complete activities of daily living.
 - There is a decline in decision-making ability beyond what is expected for their age and education level
 - Often considered a risk category
 - 12-16% of individuals with MCI progress to dementia per year
 - Dementia
 - Evidence of significant cognitive decline in one or more cognitive domains
 - Cognitive deficits interfered with independence in everyday activities

Signs & Symptoms



Typical age-related changes

- ✓ **Making a bad decision once in a while**
- ✓ **Missing a monthly payment**
- ✓ **Forgetting which day it is and remembering later**
- ✓ **Sometimes forgetting which word to use**
- ✓ **Losing things from time to time**



Signs of Alzheimer's/Dementia

- ✗ **Poor judgment and decision making**
- ✗ **Inability to manage a budget**
- ✗ **Losing track of the date or the season**
- ✗ **Difficulty having a conversation**
- ✗ **Misplacing things and being unable to retrace steps to find them**

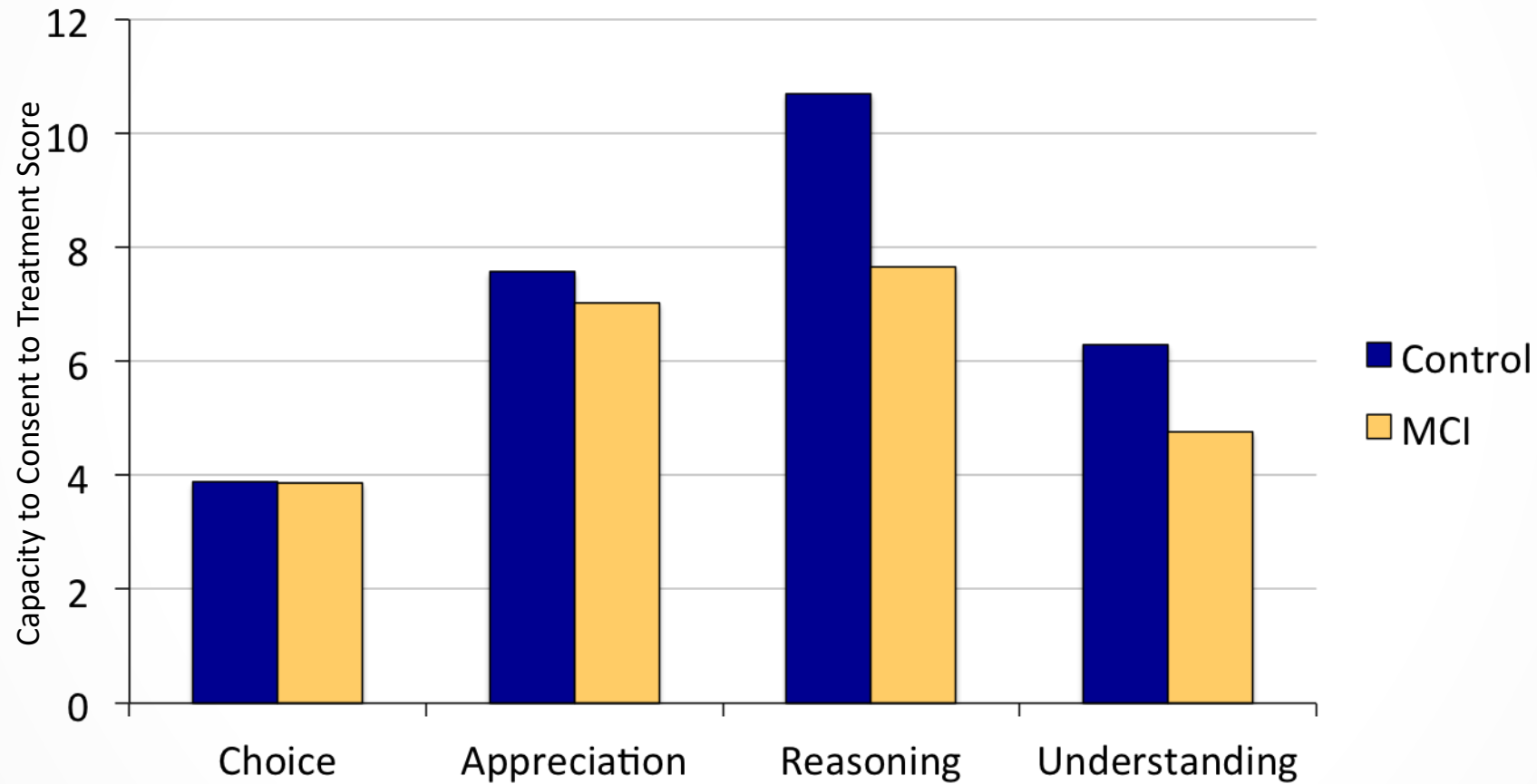
Activities of Daily Living (ADLs)

Basic	Instrumental
Feeding	Transportation/driving
Dressing	Managing medications
Bathing	Preparing meals
Toileting	<u>Managing finances</u>
Transferring	Household chores

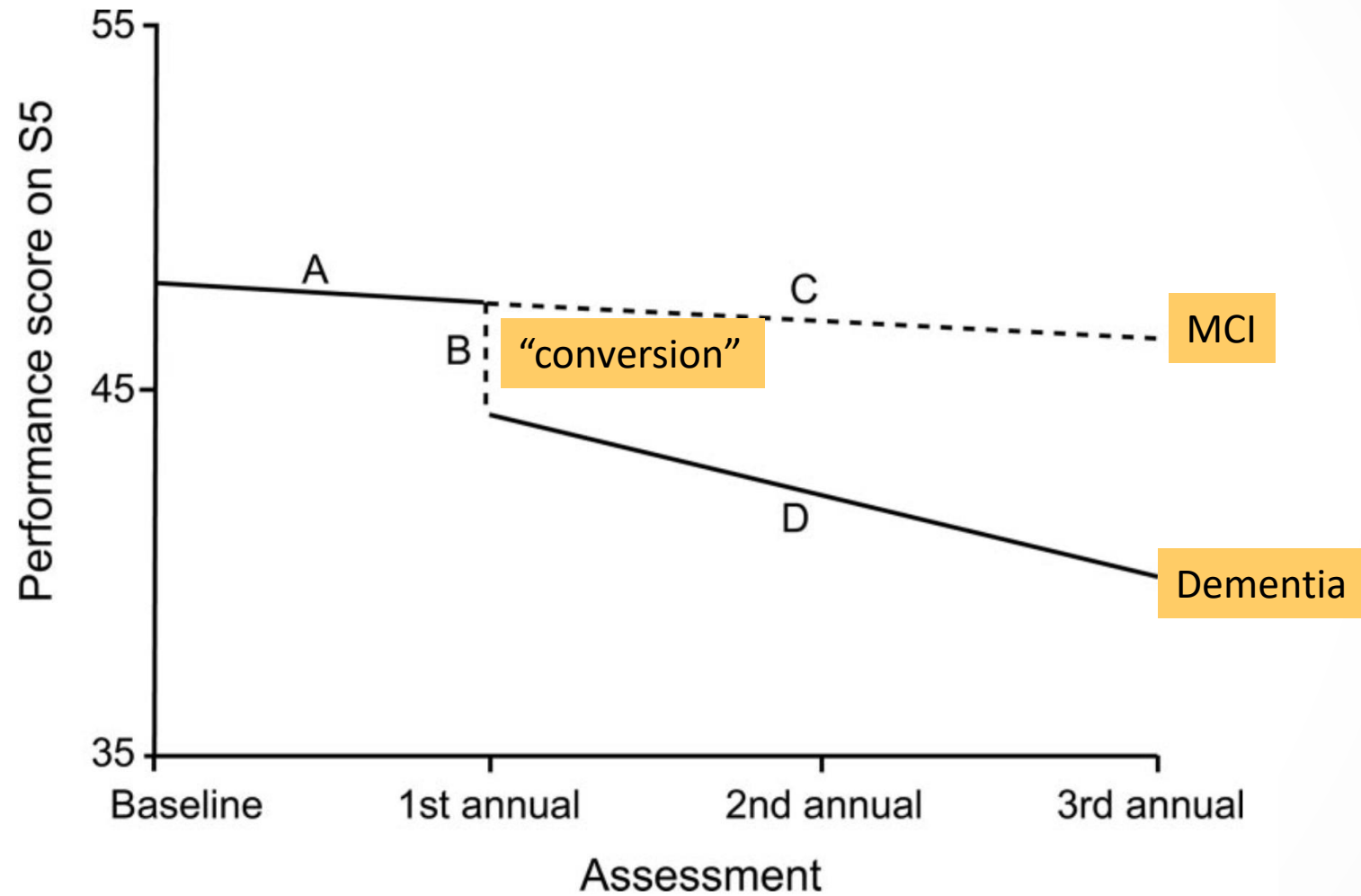
Decision-Making

- Informed Decision-Making
 - The ability to make a choice
 - The ability to understand the choice they are making
 - The ability to appreciate the risks and benefits of that decision
 - Finally, the ability to describe the purpose of that decision

Medical Decision-Making Capacity in MCI



Medical Decision-Making Capacity in MCI



S5: medical decision understanding.

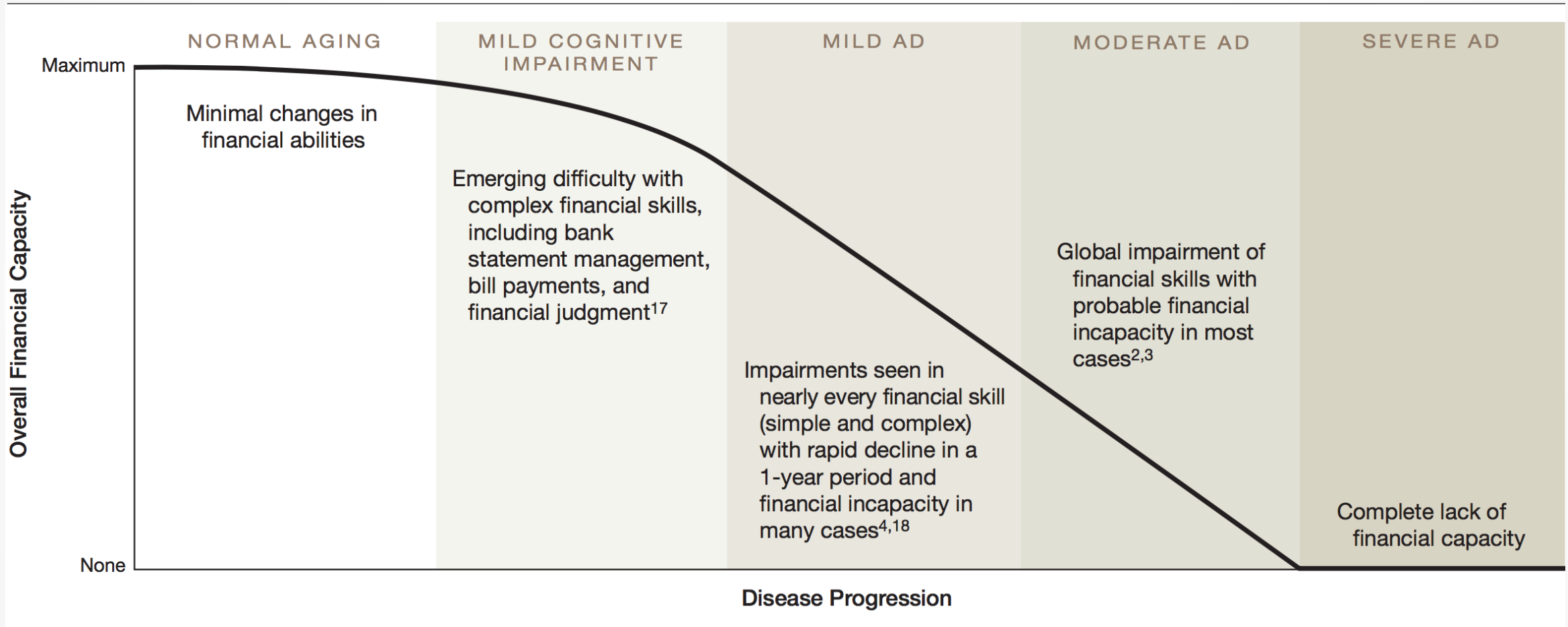
Financial Capacity and Decision-Making

- Financial capacity emphasizes the importance of protecting the autonomy and autonomous choices of an individual.
- The ability to independently manage one's finances in a manner consistent with their personal self-interest.

Financial Decision-Making Capacity in MCI

Financial Task	Normal Controls	Alzheimer's disease
1: Basic Monetary Skills	MCI	
2: Financial Conceptual Knowledge		MCI
3: Cash Transactions	MCI	
4: Checkbook Management	MCI	
5: Bank Statement Management		MCI
6: Financial Judgment		MCI
7: Bill Payment		MCI
8: Knowledge of Personal Assets/Estate Arrangements	No Significant Difference	
9: Investment Decision Making	MCI	
Overall Financial Capacity		MCI

Decline in Financial Capacity Over the Course of AD



Overall Wealth of Older Adults

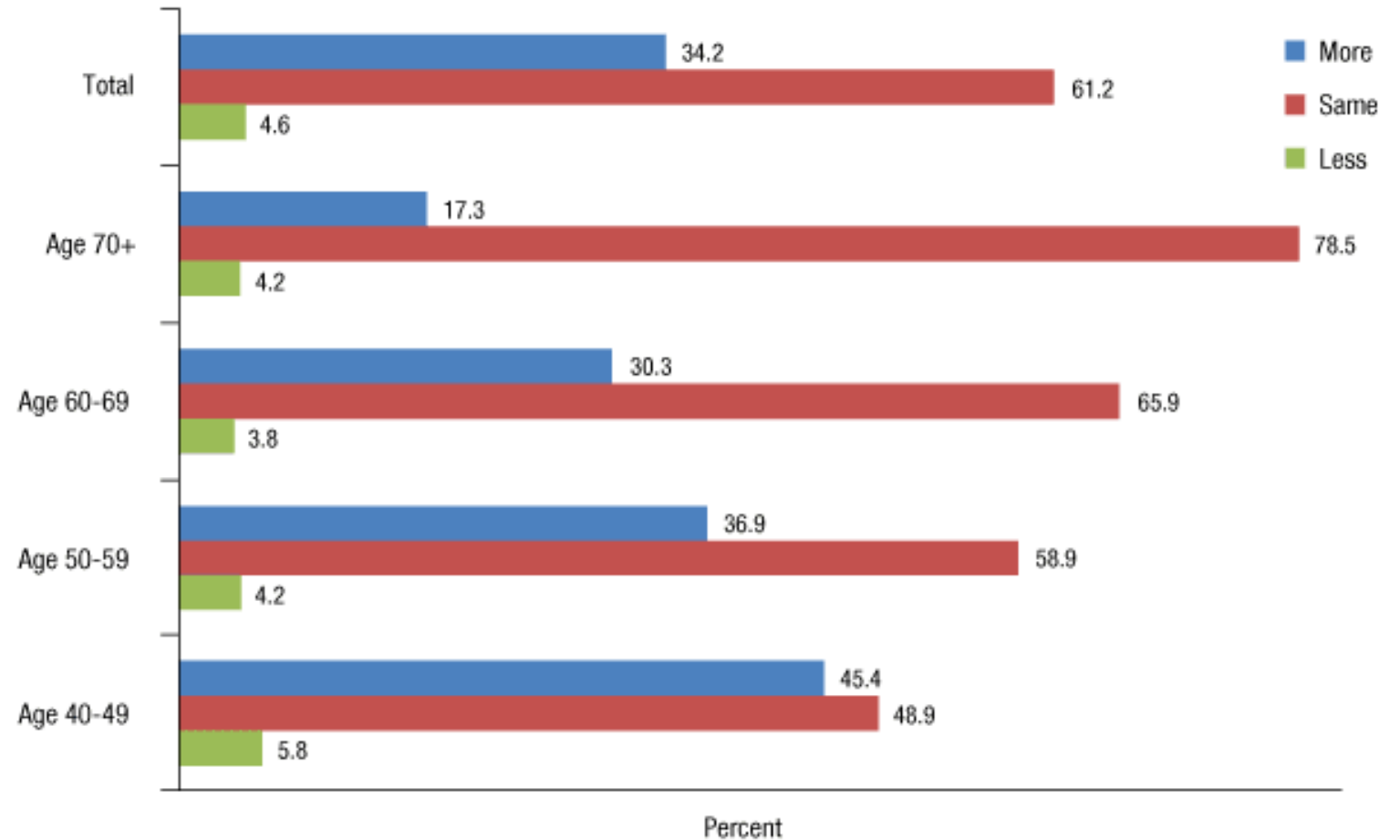
- Persons over age 65 make up 13% of the population but hold 34% of the nation's wealth
 - Estimated wealth of elder US households

Financial Risks with Age

- Older American lose at least \$3 billion/year because of exploitation
- Average victim loses \$120,000
- Banks lose \$1 billion/year from exploitation

Confidence in Decision-Making Ability

- Older Adult Survey
 - Respondents asked to compare their confidence in financial decision-making today to five years ago.
 - 1,821 respondents



The New York Times

Money Woes Can Be Early Clue to Alzheimer's

By GINA KOLATA OCT. 30, 2010



As Arthur Packel's dementia grew worse, he forgot how to handle money, and his wife, Renee, could not find where it all went. Ryan Collard for The New York Times

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<http://www.nytimes.com/2010/10/31/health/healthspecial/31finances.html>

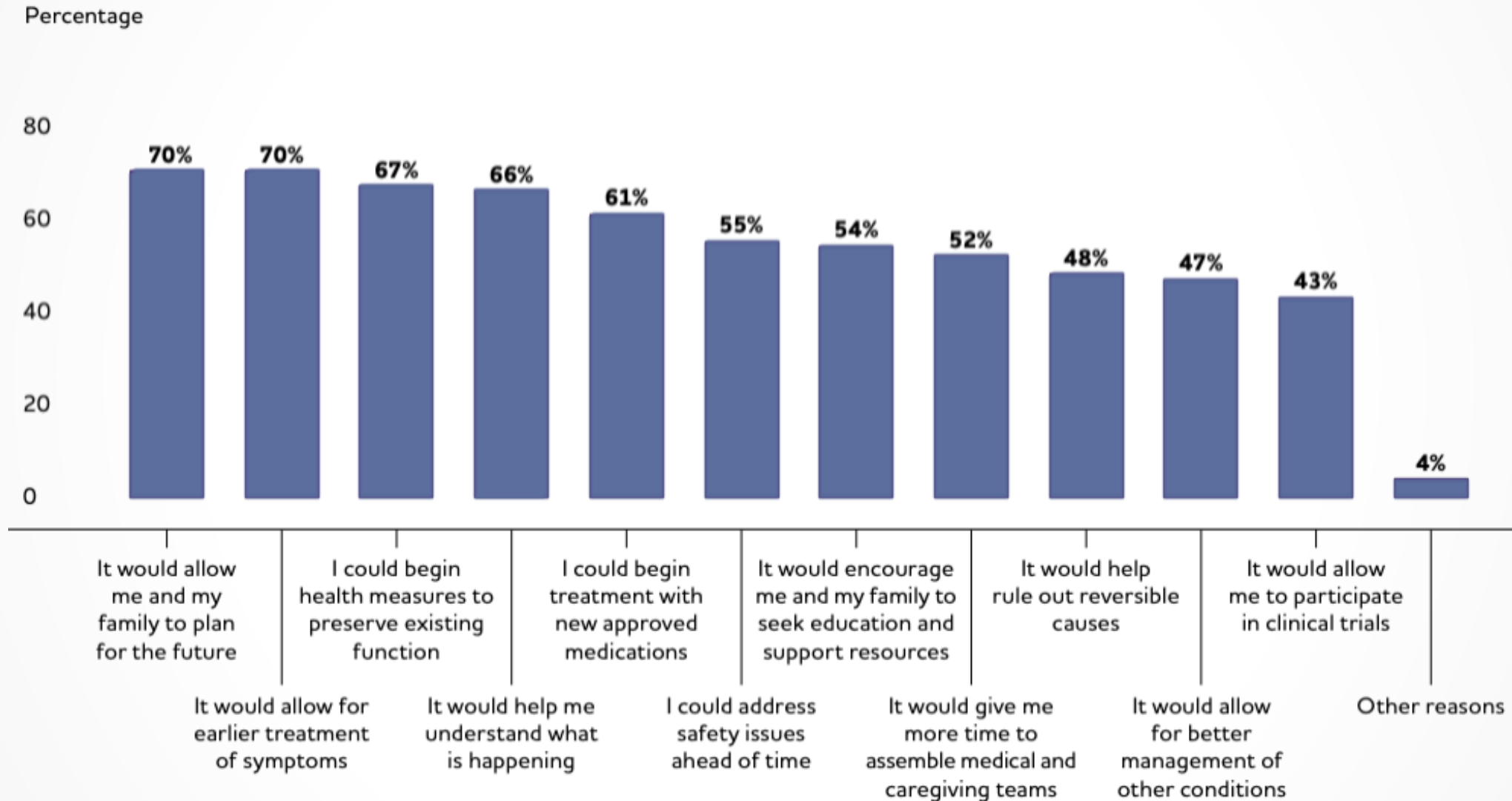
UCI MIND



When to Begin Planning?

- Dementia is a progressive and often prolonged course with great cost
 - Medications → personal care → adult day care → in-home care → full time residential services
- Appropriate planning is essential and should begin as soon as possible
 - Paying bills, investments, benefits and taxes require revisiting

Reasons for Seeking an Early-Stage Alzheimer's Diagnosis Among US Adults



Warning Signs

- New medical condition that may affect cognition or functional ability (i.e., MCI, AD, stroke, cardiac event)
- Watch for signs that an individual is struggling with money management
 - Trouble paying for a purchase/making change/leaving a tip
 - Piles of unopened bills
 - Overspending
 - Not able to afford food and/or medicines
- Noticeable change in appearance or poor hygiene
- A history of recent loss of a partner who may have been managing finances
- New family members or caregivers accompanying patient to visits

Discussing the Need for Assistance in Managing Finances

- Opportunity for Education

- The aforementioned warning signs can be used to initiate a conversation with an impaired individual regarding decision-making.
- Educating patients, families, and caregivers regarding the progressive course of AD, increased risk for financial mismanagement and exploitation, and lack of insight into declines in decision-making can help facilitate the conversation.

- Honoring Autonomy

- Individuals with cognitive impairment often wish to remain involved in financial decision-making.
- Maintain respect for the older adult's independence

Recommendations Across the Lifespan

- Start discussions early
- Create documents
 - Healthcare Advanced Directives
 - Durable Power of Attorney
 - Healthcare
 - Financial matters
 - Living wills/Trusts
- Review plans regularly
- Put important papers in one place
- Make copies of directives
- Give permission in advanced
- Long-Term Care Insurance

Recommendations

- Set up automated bill payments
 - Particularly for utilities and mortgage/rent
 - Joint accounts/access to accounts
- Watch for signs of financial abuse
 - Unfamiliar signatures on checks
 - Change in the individual's will without their permission
 - The home is sold without the person's consent
 - The individual signed legal papers without knowing what those documents mean
 - Things that belong to the person (e.g., jewelry) are missing from the home
- Protect against scams or fraud
 - Place their phone number on the National Do Not Call Registry
 - Register for fraud alerts through their bank or other credit monitoring service
 - Educate yourself about common scams/frauds (e.g., roof replacement, "get- rich- quick" offers, health scams – unproven memory aids, insurance scams)

Recommendations

- Financial and legal advisers are recommended
 - Ideally professionals with experience with elder care
 - Some resources available to those who cannot afford assistance
 - <https://www.alz.org/help-support/caregiving/financial-legal-planning/legal-documents>
 - Lawhelp.org
- Identify all options
 - Insurance, government programs, tax breaks, community services, work-related benefits
 - <https://www.alz.org/help-support/caregiving/financial-legal-planning>

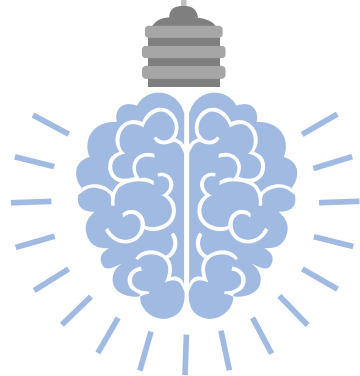
Summary & Conclusions

- Neurocognitive disorders, such as Alzheimer's disease, are expected to significantly increase in frequency among the U.S. population.
- Financial impairment is among the earliest signs of Alzheimer's disease.
- Individuals diagnosed with a neurodegenerative disorder are at tremendous risk for financial challenges.
- Appropriate planning is essential.

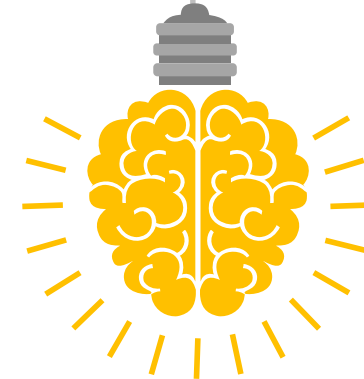
UCI M^āND

Mission:

**Advance treatment,
prevention, diagnosis, and care
for Alzheimer's through
collaborative research &
education**



1 of 37
**NIH Alzheimer's Disease
Research Centers**
in nation &
ONLY Center in OC



**60 world-renowned
faculty members** from
20 departments across
UCI Campus

Thank you!

Questions?

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