



## *Alzheimer's: Early planning critical to financial health*

Jean Dorrell knew something was wrong when the birthday card her father usually sends two weeks ahead of schedule didn't arrive in the mail.

"This past year he forgot my birthday and he forgot my brothers' birthdays, so we realized he was slipping pretty fast," says Dorrell, a certified financial planner and founder of Senior Financial Security in Summerfield, Florida.

An Alzheimer's diagnosis is a devastating blow, one that requires immediate action to ensure the financial resources built over a lifetime can sustain a person through this progressive and fatal disease.

The costs associated with Alzheimer's can be just as debilitating as the symptoms. In 2004 — the latest data available — the cost of caring for a Medicare patient with Alzheimer's or other dementia was \$42,072 compared to \$13,515 for patients without these conditions. (Those figures have been adjusted for 2010 dollars).

And the costs are climbing: Healthcare, long-term care and hospice payments for Alzheimer's and dementia are projected to increase from \$183 billion in 2011 to \$1.1 trillion in 2050 (in 2011 dollars), the AA report states.

Despite the hefty price tag for care, the financial services industry seems ill-prepared to deal with the needs of this particular group. Even though 84 percent of financial advisers have come in contact with a client who suffers from Alzheimer's, 96 percent don't feel ready to assist, according to a 2009 study from Fidelity Investments. Kevin Kautzmann, a certified financial planner with EBNY Financial LLC in New York, says that's got to change. "While there is a prevailing fear within the industry of accusing a client inappropriately and getting fired for it, if the issue is handled with respect and sensitivity, clients and their families

respond very well to the fact that their financial adviser is genuinely concerned about their loved ones," Kautzmann says.

When should families start to plan? It's critical to start early, says Beth Kallmyer, senior director for constituent services at the Alzheimer's Association. "It's important [that] the person with the disease is involved in that planning," she says. "In the early stages of the disease, the person who has Alzheimer's can ensure their wishes are going to be carried out, which is empowering," Kallmyer says. And later on, the family will have a framework to do what their family member wants when they can no longer make decisions.

If you or someone you love has a familial history of dementia, is showing symptoms of Alzheimer's or is concerned about later-life planning, it's time to get to work.

### **Build your team**

Assembling a team that specializes in long-term planning and eldercare issues is a must — whether an adviser, attorney, a certified public accountant or all of the above. "You need to get expert advice immediately from somebody who really knows what they're doing," says Jeffrey A. Marshall, an elder law attorney with Marshall, Parker and Associates LLC. "Somebody who has proven their expertise in representing the interests of the elderly and younger disabled people, who have been tested and peer reviewed," Marshall says.



A good place to start is the National Elder Law Foundation, which can help you find a certified elder law attorney in your area of the country. An elder law attorney will help to navigate elective transfer of decision-making authority through a power of attorney or trust and will help you to qualify for needs-based benefits programs like Medicaid and Veterans Pension Benefits, if necessary. "Some assets aren't countable [towards benefits]. You could have a home worth \$2 million and it's not counted. The rule aren't necessarily logical. You need to talk to a lawyer who understands those rules," says Marshall.

An elder law attorney will set up a legal framework where the client and his or her family can transfer assets and decision-making responsibility. Then the financial planner steps in. He or she will make sure assets are properly transferred and work with the family to examine benefits and implement a financial plan.

Reach out to friends, neighbors and extended family for referrals. The Alzheimer's Association is another great resource for those newly diagnosed and looking for support. "The AA runs





community workshops for folks once they've been diagnosed to learn about the legal and financial aspects of planning, so you can attend one of those if someone in your family is diagnosed and learn about what you need to put in place and what you need to think about," says Kallmyer.

## Set up advance directives

Alzheimer's is the sixth leading cause of death in the U.S., with 5.4 million Americans suffering from the disease, according to the AA's report." Advance directives are part of an all-encompassing legal plan, which will help to guide a person's healthcare and financial future. It may include a living will, living trusts, healthcare proxy and financial and medical powers of attorney, depending on the state.

"Instead of concentrating on maintaining autonomy, you need to be planning for your incapacity. The most critical document for everyone at any age is the power of attorney," says Marshall. Be sure the power of attorney includes an asset-protection provision that allows your spouse or agent to transfer assets on your behalf — a provision that is not implied in a standard document — should you wish to qualify for needs-based benefits.

Dorrell recommends a springing power of attorney, which stipulates certain conditions or a trigger event is in place for the power of attorney to "spring" into action. "With older people who have cognitive impairment, they're afraid everyone is stealing their money. If you have a basic, regular power of attorney, they'll fight you to draw that up because they're afraid you will take over and steal their money," she warns. For Dorrell's father and clients, she recommends the power of attorney stipulate two different doctors must agree that the client is incapacitated before it can come into

effect. "Otherwise, you run the risk of a family member or loved one taking it to a friend who is a doctor and having the parent declared incompetent and then they take all the money."

And remember, most powers of attorney are not transferable between states and aren't valid if the client is deemed incapacitated before its drafted.

## Plan long term

A long-term plan, which could include long-term care insurance or spending down assets to qualify for benefits programs, should be addressed before a debilitating diagnosis like Alzheimer's. Marshall suggests end-of-life planning should commence when approaching your 70s, as the instance of Alzheimer's increases dramatically in your 80s. (It's estimated nearly half of all seniors — 43 percent — over the age of 85 suffer from the condition.)

"I try to have these later-life planning conversations with every single family I deal with to mitigate the risk," says Kimberly Maez, a private wealth adviser with Ameriprise Financial based in Colorado Springs, Colorado. "I think people function in denial, which is an extremely powerful force. Just having these conversations are part of the most difficult work we do as advisers."

Discuss your long-term care plan with your family — do you wish to age in place or spend your later years in an assisted living facility? Has a family member volunteered to provide physical and emotional support? How will the person be compensated for lost wages and Social Security benefits if they have to give up their job? How will you pay for that care?

"You need to decide if an assisted living facility is for you," says Dorrell. "Staying in your own home is going to cost you about three times as much money as going to a facility."

An Alzheimer's diagnosis may seem like a death sentence, but someone with Alzheimer's can live years, even decades, with symptoms. Dorrell's own family is

proof of that; her step-mother has lived with the disease for 10 years. It's a far-reaching disease, likely to touch millions more. In a recent study, 73 percent of respondents in the U.S. said they knew someone with Alzheimer's.

"My father is one of six boys — two of them died when they were younger — out of the four left, three of them have Alzheimer's. This is a huge problem. Insurance companies don't have enough money, the government doesn't have enough money and people haven't saved enough. We're going to be in deep trouble," says Dorrell.

## Be prepared to alter estate plans.

When moving to a different state, be mindful of changing specific elements on estate-related documents. Wills and Power of Attorney documents are state specific and will have to be redone. In addition, while a trust is not state specific, it often mentions state statutes, which will need updating once there is a change in residency.

**Consider renting before purchasing in new location.** If you are uncertain about the cost implications of moving to a new state, give the place where you want to retire a "test run." Rent an apartment, condo or house for three to six months before purchasing a property in the area. This will help you to find what neighborhoods are ideal and if the move, overall, is worth the time and investment in your retirement.

Retiring is a big step in itself, let alone the idea of trying to figure out where to live during that phase of life. Making solid, financial decisions, however, will only smooth the transition and allow you (and your spouse) a happy, financially-sound future in a fun and exciting new place.

