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ESTATE PLANNING AND PROTECTING YOUR FAMILY: NAVIGATING COGNITIVE DECLINE

While we are living longer and healthier lives, some families must confront the difficult situation of a parent or spouse who suffers from Alzheimer's or similar form of dementia. The medical and emotional challenges can be overwhelming. But, there are also financial and practical challenges. A parent or spouse that is experiencing cognitive decline, yet retains full legal and practical control over their finances, can put their financial security at risk. Common examples include failing to file income tax returns, not taking required minimum distributions from an IRA, not paying mortgages or real property taxes, or allowing homeowner polices and automobile coverages to lapse, the financial consequences of which can be severe.

How do you recognize signs of a loved one's diminishing mental capacity and what can or should you do? There are no easy answers, but the first step is to identify early signs and to communicate any concerns with your loved ones and your doctor. Although this may involve difficult conversations, in the long run it will help everyone better manage the situation. This Client Advisory explores these risks honestly, so that families can plan thoughtfully and act protectively before a crisis unfolds.

Understanding the Connection Between Dementia and Financial Judgment

Alzheimer's and other forms of dementia are progressive diseases, whose early signs are often missed or ignored. A person in early or moderate-stage dementia may:

- Appear entirely lucid in casual conversation while being unable to evaluate a contract
- Forget that they already paid a bill and pay it multiple times
- Make large financial commitments without understanding the consequences
- Become suspicious of family members while trusting complete strangers

The combination of perceived social functioning alongside impaired financial judgment is what makes cognitive decline so dangerous in a financial context.

Warning Signs to Watch For

The signs of cognitive decline are often difficult to spot. The following are some common warning signs that you should be aware of:

- Unopened mail piling up, including bills and financial statements
- Evidence of unusual or repeated purchases
- Calls from collectors or notices of missed payments
- Large or unexplained ATM withdrawals or wire transfers
- Confusion about the balance of accounts or the existence of assets
- Forgetting or an inability to explain recent financial transactions
- Unusual generosity toward people they have recently met

What Families Can Do

The goal is not to take away a person's autonomy, but to protect a loved one from risks they can no longer fully understand. Being proactive and acting before a diagnosis reaches a stage where legal capacity is in question, can make an enormous difference. None of the below recommendations should assume that a diagnosis of dementia immediately removes a person's right to participate in decisions about their own life. As mentioned, cognitive decline is usually progressive and worsens with time. In fact, many people in early or moderate stages of Alzheimer's or other dementias retain capacity for a significant period, and their wishes, preferences, and values should continue to guide financial and life decisions. The purpose of being proactive is not to sideline the affected person but to build structures, agreed upon together, as early as possible, that will continue to reflect their values and protect their interests as the disease progresses.

Have the Conversation Early

The most important thing a family can do is discuss financial arrangements before they become urgent. A frank, compassionate conversation about powers of attorney, asset oversight, and contingency planning held while the affected person is still fully capable of participating sets the tone for a collaborative rather than adversarial process. Please remember that it is not uncommon that your loved one may not be receptive to these conversations. If so, you should consider leaning on your family's professional team, such as attorneys, accountants, and financial managers, who can provide objective insight during these difficult times.

Review Estate Planning Documents

It is our recommendation that clients review their estate planning documents every five years. While changes may not be necessary, such a review can lead to honest discussions and provide clues into a client's current mental state or capabilities. For married clients, a surviving spouse is often appointed as sole Executor, Trustee, Power of Attorney and Health Care Representative. As clients age, such an arrangement may no longer be appropriate.

A Durable Power of Attorney, Designation of Health Care Representative and Revocable Trust provide the tools a family will need to minimize potential disruption in the management of a person's financial affairs. Without such documents, it may be necessary to commence legal proceedings to have a Conservator appointed to manage the financial affairs of the affected person.

This may also be prudent time to transfer your brokerage, checking/savings accounts and real estate to your Revocable Trust, as well as review the successor Trustees. Depending on the circumstances, you may consider appointing a Trustee, other than yourself, to manage the trust assets. This would effectively transfer responsibility to someone who would be better suited to manage your financial affairs.

Set Up Account Monitoring and Alerts

Most banks and financial institutions now allow you to name a "Trusted Contact" with respect to a particular account. Such an appointment does not give someone access to the account information or authority over the account. Instead, it allows the financial institution to notify a trusted family member when large withdrawals are made or when unusual activity occurs.

Conclusion

The intersection of cognitive decline and financial control is one of the most serious and underappreciated vulnerabilities facing families dealing with Alzheimer's or dementia. The risks are real. The solution, while not easy, is early action, open conversations, appropriate legal documents, streamlined financial arrangements, and engaged oversight. Families who address these issues proactively protect not only the assets their loved one has spent a lifetime accumulating, but the dignity and security that those assets were always meant to provide.