



Easing the Burden of Dementia

“When you’re 89, dementia develops. I mean, I’ve told a story onstage, and I’m telling it with a full heart, and I forgot the damn punch line.”
- Jerry Lewis

One hundred years ago the average life expectancy of a newborn in the US was 54.8 years. Due to advances in medical technology that number now stands at 78.6 years. Much of this dramatic increase is attributable to a significant drop in mortality rates from childhood diseases like pneumonia, influenza, and tuberculosis. But the odds of a long life for middle-aged Americans has increased also, as a 65-year-old man can now expect to live to 82.3, and a 65-year-old woman to 85.5.

Higher longevity is certainly a desirable outcome, but it comes with a cost. As science finds ever more ingenious ways of preserving our bodies to age 80 and beyond, diseases of the mind become more prevalent. According to the CDC, Alzheimer’s disease (a type of dementia) is now the sixth leading cause of death in the US; in 1990 it was not even in the top 15. And, as the frequency of Alzheimer’s and other forms of dementia continue to grow, the financial risks that accompany dementia become more acute.

The most difficult thing to accept about dementia is that it will almost certainly impact your family. At age 80 and above, the odds of suffering from Alzheimer’s or other forms of cognitive impairment are nearly 50%. And, in addition to the emotional toll that dementia can take on a family, the financial costs and risks are potentially devastating.

For starters, the elderly are far more likely to be victimized by a financial scam than the population at large, and those suffering from dementia are particularly at risk. For those of us in Florida, this hits close to home. A study in 2014 by the Pension Research Council found a 14% rate of financial abuse *each year* among those aged 60 and older in Florida and Arizona.

In addition to the potential cost of financial scams, the potential cost of daily care for a dementia patient can be significant. According to Genworth Financial, the average cost of assisted living in Florida is over \$3,000 per person, per month. Nationwide, the cost is over \$4,000. The average cost for in-home care in Florida is \$3,000 per month on top of usual housing expenses.

Believe it or not, *that’s the good news*. The bad news is, many dementia patients require a level of care that is beyond the capabilities of an assisted living facility or in-home care. Those patients may need to reside in a facility that specializes in memory care, and these can run as high as \$7,000 per month or more. Even worse, Medicare does not pay for assisted living, in-home care, or memory care; the fees for these must be covered by private insurance or personal assets. Medicaid may be an option at some point, but only after the patient has exhausted essentially all of her assets.

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So how should you prepare? First, recognize that dementia is likely to impact you or someone in your family, and adjust your long-term financial plan to account for the expense. It is often assumed that the equity in an individual or couple's home can cover assisted living or memory care costs, but another source of funds will be required if the home equity is not high enough.

Second, in addition to your financial plan, prepare a legal plan to help your family navigate the challenges of having a family member that is no longer able to make decisions for himself. The following is a checklist that elder expert Carolyn Rosenblatt proposes for all families to consider:

- 1 – Decide with whom you wish to communicate about your future.
- 2 – Have a signed, notarized durable power of attorney.
- 3 – Have a signed advance health care directive.
- 4 – Make a list of all bank accounts, passwords, financial planning documents, and appropriate contacts.
- 5 – Make a list of all insurance policies.
- 6 – Make a copy of all mortgages and other debt.
- 7 – List your physicians, care providers, and medications, and give written permission for loved ones to speak with your doctors.
- 8 – Put in writing your wishes for burial or disposition of your remains.
- 9 – Update your will and/or trust with a local attorney.
- 10 – Have a family meeting to review the above with your loved ones.

Finally, you should learn to recognize the early signs of dementia. According to Rosenblatt, the telltale signs of cognitive impairment include short-term memory loss, erratic behavior, paranoia about someone taking your money or possessions, getting lost in familiar places, and neglecting to take care of basic physical needs such as eating or bathing. If you recognize any of these symptoms in a parent, spouse, or friend, you should help him or her to consult a doctor, particularly a neurologist, as soon as possible.

Knowing how to prepare for dementia is the easy part. The difficult part is convincing yourself or a family member to make the appropriate financial and legal preparations *before* the first signs of dementia appear. After the symptoms begin to emerge, you or your family member may be agitated, in denial, or simply not have the cognitive ability to make the right decisions. Preparing for dementia is often avoided because it involves some potentially uncomfortable conversations. However, the comfort of clarity when the circumstances actually arise make this an important discussion. Do not leave it up to chance.

Source: Swedroe, Larry, "Thwarting Financial Abuse." ETF.com, 11/12/18



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