

Alzheimer's epidemic puts advisers — and their practices — at risk

'Gigantic bull's-eye' under fiduciary standard

By [Mary Beth Franklin](#)

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The number of Americans with Alzheimer's disease is expected to nearly triple by 2050. This impending epidemic will put even more pressure on advisers as they try to help clients prepare for the possibility of a costly health crisis.



According to a new government-funded report, which was published this month in the medical journal *Neurology*, the number of people suffering from this devastating disease will increase to 13.8 million over the next four decades, from 5 million today. For perspective, the larger figure is more than the current population of Illinois.

The primary risk for Alzheimer's is age. While just 13% of people 65 and older are afflicted with it, nearly half of those 85 and older are victims, according to the Alzheimer's Association.

But early symptoms of cognitive impairment — including difficulty remembering names or words — can occur long before a diagnosis is made. One of the first skills to decline is the high-level function required to accomplish financial tasks such as paying bills, balancing a checkbook or reading a brokerage statement.

Fast-forward 20 years. The leading edge of the nation's 78 million baby boomers — now 67 — will be crossing into prime dementia territory, and many may have been experiencing diminishing mental abilities for years.

HUGE CHALLENGE

“Alzheimer's and other forms of dementia present a significant risk to your clients and to your financial planning practice,” Steve Starnes, a financial planner with **The Monitor Group Inc.**, wrote in a 2010 article in the *Journal of Financial Planning*. His excellent paper reviews the practical, legal and ethical challenges that advisers may encounter while working with clients with dementia.

“As we move to a fiduciary standard, this is a gigantic bull's-eye,” said Thomas West, a financial adviser with **Signature Estate & Investment Advisers LLC**, who specializes in families who face financial un--certainty related to death, disability or illness.

Mr. West noted that while most advisers are trained to plan for a crisis, few know how to plan in a crisis. He invited me to join several experts in elder care at their inaugural meeting to discuss the effects of cognitive impairment on financial decision making and the challenges of communicating with family caregivers during stressful situations.

The mission of this informal group, which will continue to meet regularly, is to improve financial outcomes for families facing expenses for long-term care. The group hopes to develop some model practices to help families deal with one of the most difficult — and expensive — aspects of aging. We welcome your ideas and suggestions.

Despite the impending impact of the graying of America, few federal, state or industry guidelines exist to help financial planners navigate the potential legal, ethical and practical challenges of dealing with clients who exhibit mild or moderate dementia.

That has to change, said Cathy Weatherford, president of the Insured Retirement Institute. “Advisers are starting to adapt to the needs of an older client base,” Ms. Weatherford said. “But they have to go further and familiarize themselves with the signs of diminished mental capacity and understand family dynamics.”

A FAMILY TRAGEDY

For such a client, a financial plan becomes a family plan — with all the accompanying idiosyncrasies, sibling rivalries, power struggles and potential for abuse.

In his article, Mr. Starnes suggests that a written policy for working with clients with dementia may help you avoid ethical and legal dilemmas. It should include internal procedures when you know or suspect that a client's cognitive abilities are declining.

Those steps include:

- -Updating the client's estate and legal documents.
- -Encouraging the client to see a doctor.
- -Helping the client identify who should serve as his or her advocate.
- -Building a relationship with the client's advocate.
- -Focusing the client on developing a plan for the future.

To familiarize your staff with these issues, check out “A Financial Professional's Guide to Working with Older Clients,” a booklet by the Financial Planning Association and AARP.