



Guide for Consumers:

Planning for the Possibility of Cognitive Decline

There are approximately 47.5 million people worldwide with dementia or cognitive decline, and 7.7 million new cases every year. Symptoms range from mild impairment, such as some degree of memory loss, to inability to recognize family and friends and/or aggressive behavior. Imagine spending decades saving for retirement, foregoing current consumption to secure your future, only to see those careful preparations unraveled due to poor financial decisions or fraud, or depleted due to the cost of care associated with dementia. With an aggregate net worth of \$7 trillion as of 2013, Baby Boomers are bringing a flood of assets into retirement. Unlike their Greatest Generation parents, who often had pensions and retirement health care benefits, Boomers must largely rely on their assets for income and to ensure their care. They also must safeguard their assets in the event they experience significant declines in cognitive function. Of people in their 80s, about 20 percent will have some form of dementia, and another 30 percent will have symptoms of "Cognitive Impairment Not Dementia," or CIND. CIND is characterized by significant cognitive decline, but not so severe as to be classified as dementia*. This means that half the population over age 80 may be incapable of making important financial decisions. While more than 70 percent of Baby Boomers have taken some steps to prepare for a cognitive decline, most have taken only basic steps such as writing down their wishes. Concrete steps, such as documenting assets or appointing someone to manage their affairs, have been taken by less than a third. Below you will find some basic information about legal documents you can create and other actions you can take to make sure you and your assets are protected and your care assured. Also included is a checklist you can use to make sure you perform the tasks that will help your family, friends and advisors prepare in the event it becomes necessary for someone else to make decisions for you.

Sources: World Health Organization, JP Morgan, National Institutes of Health, IRI



Advance Directives

These are essential estate planning documents that you should create while you are able to make important decisions about your desired health care and financial affairs. It is prudent to define these plans **before** you experience a cognitive decline.

Financial Directives



1 Durable Power of Attorney for Finances

Names someone to make financial decisions on your behalf when you are no longer able to. This can help you and your family avoid court actions, such as the appointment of a conservator (or guardian). These court actions are often expensive and may take away control of your financial affairs. It is important to note that a durable power of attorney is only valid during one's lifetime. It should therefore be coupled with a will.

2 Will

Describes how your assets and estate will be distributed upon your death. It may also specify arrangements for the care of minor children, gifts, trusts to manage your estate, and funeral arrangements.

3 Living Trust

Provides instructions about your financial affairs as well as for your estate while you are alive but incapacitated. A living trust appoints a trustee who is authorized to act on your behalf with regard to your property and intent for your heirs. The trustee is legally bound to follow these instructions after you can no longer manage your affairs. Depending upon the size of your assets, a living trust may reduce taxes due on your estate. However, even if you may not be subject to estate taxes, living trusts can be an invaluable tool. This is because living trusts protect your privacy at death, as assets owned by the trust will pass to heirs without going through probate. This, in turn, makes living trusts cost effective in the long term. Keep in mind, however, that it is essential that you move ALL of your assets into the trust. Otherwise, the benefits of a living trust are negated.



Health Care Directives

1 Living Will

Records your wishes for medical treatment near the end of your life.

2 Durable Power of Attorney for Health Care

Designates a person to make health care decisions for you when you are no longer able to make them yourself.

3 A Do Not Resuscitate (DNR) Order

Instructs health care professionals not to take extraordinary measures, such as cardiopulmonary resuscitation, if your heart stops or you stop breathing.



Transitioning to Assistance

You may never experience a cognitive decline, but if you do, it is important that you and your family, friends, and trusted professionals such as financial advisors, attorneys, and accountants know the signs of decline and have clear instructions so they can help you in accordance with your wishes.

Signs of Cognitive Decline

Slower thinking and problem solving, decreased ability to concentrate, and slower recall are generally a normal part of the aging process. But when memory loss and other symptoms become more prominent, the risk of making inappropriate decisions increases dramatically and assistance may be needed. Your family, friends and advisors should be aware of certain signs to watch for. Also, someone should be instructed to check in with you regularly if there are extended periods when you do not have frequent contact with those you plan to depend on should the need arise.

These are some of the signs to look for that can indicate cognitive impairment significant enough to warrant intervention:

- Repeatedly asking the same questions
- Being confused about the date or time of day
- Becoming lost or disoriented in familiar places
- Failing to recognize familiar people
- Having difficulty following simple instructions
- Neglecting personal hygiene
- Struggle with routine tasks, such as paying bills or cooking
- Exhibiting socially inappropriate behavior, or withdrawing from social activities



Asset Protection



In addition to creating advance directives and making sure you have someone ready to step in and manage your affairs should it become necessary, you may want to consider using a portion of your financial assets to purchase financial and insurance products that can help you achieve your retirement goals.

Life Insurance

Some life insurance policies include an “accelerate death benefit” provision, which will generally allow you to receive 90 percent or 95 percent of the death benefit when you are terminally ill. In the later stages of dementia, such a benefit may be crucial in maintaining your care and quality of life, and ease the burden the cost of care may place upon your loved ones. Some life insurance policies also include a waiver of premium rider, which means you will not have to pay premiums if you are considered disabled as a result of dementia.

Annuities

Purchasing annuities helps ensure that some portion of your wealth is allocated to solutions that can provide you with lifetime retirement income. Additionally, some annuities offer long-term care riders, which provide increased payments while you are confined to a nursing facility or receiving skilled in-home care from a licensed caregiver.

Medigap insurance

Medicare covers medical services for people with dementia, some home health care under certain conditions, up to 100 days of skilled nursing home care in limited circumstances, and hospice care for the terminally ill. Medigap insurance can fill certain gaps in Medicare coverage, such as paying for coinsurance and other items. Medicare DOES NOT pay for long-term care or for caregivers who assist with daily activities.

Long-term care insurance

A long-term care insurance policy must be in place before you are diagnosed with dementia. Policies can vary substantially in terms of covered services, so make sure you fully understand how and when benefits are payable and for how long, what kinds of care are covered or excluded, whether there is an elimination period before benefits begin, and if there is a lifetime maximum payout.

Medicaid

Medicaid offers a safety net to individuals with very low incomes and/or who have exhausted their assets. Medicaid merits special mention because many seniors may need to rely on Medicaid to cover long-term care expenses due to dementia. Whereas in the past, some people have found it tempting to consider gifting assets to family members to qualify for Medicaid, this is not an option. Federal law created a 60-month look-back on such transfers and established penalties associated with gifting to qualify for Medicaid. The penalty is calculated by taking the dollar value/amount transferred and dividing it by the average cost for monthly care in your state. For example, if you transferred \$100,000 four years ago and the average monthly cost for long-term care is \$5,000, you will need to wait 20 months after you have been approved for coverage for benefits to start. You should consult a legal advisor to be sure you, and those who may step in to help manage your affairs, fully understand the consequences of transferring assets to qualify for Medicaid.

Planning Steps to Take Now	Done	To-Do
Consult an estate planning attorney to create your advance directives.	<input type="checkbox"/>	<input type="checkbox"/>
Organize financial asset documentation. It is helpful to have your records in order; that is, you should maintain a file with details about your bank and brokerage accounts, insurance policies, pension and retirement benefit statements, Social Security payment information, and other sources of income (rental property, interest, etc.).	<input type="checkbox"/>	<input type="checkbox"/>
Gather deeds, mortgage papers, or ownership statements for non-liquid assets.	<input type="checkbox"/>	<input type="checkbox"/>
Gather financial obligations and other documents: bills, tax returns, etc.	<input type="checkbox"/>	<input type="checkbox"/>
Discuss identifying signs of cognitive decline with the people who will help you.	<input type="checkbox"/>	<input type="checkbox"/>
Secure your documentation, but make sure someone you trust can access it.	<input type="checkbox"/>	<input type="checkbox"/>
Consider purchasing Long-term care insurance, and review policy terms with a financial or insurance professional to ensure policies cover dementia.	<input type="checkbox"/>	<input type="checkbox"/>
Review life insurance and annuity coverage, as they apply to home health care and institutional care. Consider purchasing insurance coverage to address this need if your current coverage is inadequate.	<input type="checkbox"/>	<input type="checkbox"/>
If you are a veteran, you may qualify for health and long-term care benefits through the Veterans Administration. Consider whether you want to pursue these benefits, or have someone pursue them on your behalf, as part of your written plan.	<input type="checkbox"/>	<input type="checkbox"/>
Create a written plan, including information about all of the above, for those you intend to help manage your affairs, and make sure they are in agreement.	<input type="checkbox"/>	<input type="checkbox"/>
Hold a family meeting with your professional advisors (financial, attorney, accountant) to discuss the plan, and everyone's roles and responsibilities.	<input type="checkbox"/>	<input type="checkbox"/>

Completing the checklist to your left is a good practice in general, as it will ensure you are protected in the event you become incapable of making decisions due to cognitive decline or other unforeseen circumstance. You may wish to consider using an attorney who specializes in elder law to help you prepare legal documents, and a financial professional who specializes in elder planning, is a registered financial gerontologist, and/or is an accredited agent of the Department of Veterans Affairs, to assist with your financial and insurance needs. The resources below can assist you in finding the right professionals for your unique situation, as well as provide you with additional information about preparing for cognitive decline or dementia.

Helpful Resources

There are many sources you can consult for information and assistance to help you plan for the possibility of cognitive decline or dementia.

AARP

www.aarp.org

Aging Life Care Association

www.aginglifecare.org

Alzheimer's Association

www.alz.org

American Bar Association

www.americanbar.org/aging

American Institute of Financial Gerontology

www.aifg.org

Eldercare Locator

www.eldercare.gov

Elder Law Answers

www.elderanswers.com

Financial Planning Association

<http://www.plannersearch.org/>

National Academy of Elder Law Attorneys

www.naela.org

National Care Planning Council

<http://www.longtermcarelink.net/>

National Institute on Aging Information Center

www.nia.nih.gov/health

www.nia.nih.gov/espanol

NIH SeniorHealth

www.nihseniorhealth.gov

*Dementia is an umbrella term that describes a range of symptoms that affect cognitive abilities such as memory and reasoning. It can occur due to a variety of conditions, the most common of which is Alzheimer's disease.

Note: Investing in variable annuities and variable life insurance involves investment risk, including potential loss of principal. Guaranteed income and death benefits provided by annuities and life products are subject to the claims paying ability of the issuers.

Note: Insurance products are not a deposit, not FDIC insured, not insured by any Federal Government Agency, not bank guaranteed, and may lose value.

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REVIEW LETTER

1. Guide for Consumers: Planning for the Possibility of Cognitive Decline
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Attention: Frank O'Conner

The material submitted appears consistent with applicable standards. However, we have the following comment:

Please note that when used by FINRA member firms, the firm's name must be clearly and prominently set forth pursuant to FINRA Rule 2210(d)(3)(A).

Reviewed by,

Joseph S. George
Manager

jws

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