

Your Money

# DOLLARS AND DEMENTIA: AN EARLY WARNING SYSTEM

Finances can be a sign—and a casualty—of cognitive decline

BY PENELOPE WANG



**U**npaid bills, lower credit scores and shrinking net worth: Years before people are diagnosed with dementia or other cognitive impairment, they often have difficulty managing money and start suffering financially, according to several new studies.

The findings indicate that faltering financial health can signal declining brain health, and they point to the importance of protecting your finances, or those of your loved ones, from the impact of cognitive impairment. “We don’t want these losses to happen just at the time when people most need all their financial resources to support themselves throughout their illness,” says Debra Whitman, AARP chief public policy officer.

Analyzing credit score and Medicare data, Federal Reserve Bank of New York researchers discovered that in the five years before a dementia diagnosis, people were more apt to miss bill payments. By one year before diagnosis, average credit card balances in delinquency were more than 50 percent higher than delinquency balances measured six years before diagnosis. Mortgage balances in delinquency were 11 percent higher; credit scores declined. “The pattern of delinquencies is striking, even years before people become aware of their diagnosis,” says Carole Roan Gresenz, a professor of public policy and health at Georgetown University and lead author of the study.

Not everyone in the early stages of cognitive impairment mismanages their money. But if a person does, the financial costs can be severe. A study published in the medical journal *JAMA* last year found that household wealth fell much faster over an eight-year period among those eventually diagnosed with dementia, compared with control groups.

“It can be difficult for people who don’t have any knowledge of their own decline to manage money, especially when no one else is there to help,” says the study’s lead author, Jing Li, associate professor of health economics at the University of Washington. In an earlier study, Li and other researchers found that 7.4 million older adults with dementia or cognitive impairment were managing their household finances on their own.

Self-awareness can help minimize risk, a *Journal of Political Economy* study found. Wealthier people in the study who hadn’t had a severe memory loss, or who simply were aware of their memory issues, had smaller drops in net worth than

did those who weren't. "People are often unaware of their cognitive decline and may be overconfident, which leads them to take financial risks," says study coauthor Franco Peracchi, professor of econometrics emeritus at Tor Vergata University of Rome.

To help protect your finances, or those of someone close to you, consider these actions.

► **Start now ...** "Ideally you should create a plan to manage your money well before there's a crisis," says Elizabeth Edgerly, a clinical psychologist and senior director for care and support at the nonprofit Alzheimer's Association. If you're seeking to help a family member, start talking about his or her finances so you can get necessary information. Where are the accounts kept? Which bills need to be paid each month? What are the person's sources of income? It's important to have a family member or friend, along with a backup, to help manage finances in a health crisis.

► **... but don't push too hard.** "Many older adults aren't comfortable discussing their finances and may not be willing to give up any control, so you may need to talk about this over weeks or months," says Edgerly. If someone is reluctant to tackle the issue, you might try asking the person to describe the help he or she would want in the event of health problems, and how you could provide it.

► **Simplify.** Consolidating accounts at just one or two banks or brokerage firms will make money easier to track and manage. "Many older adults I see are holding accounts they no longer remember, such as savings accounts and CDs," says Carolyn McClanahan, a physician and financial planner in Jacksonville, Florida. A list of accounts should be somewhere secure, and other family members should know where it's stashed.

► **Automate.** Sign up for automatic bill payments, as well as automatic notifications if a transaction exceeds a certain limit. As backup, a trusted helper could monitor the accounts for any unusual transactions.

► **Stifle scammers.** Freezing one's credit report at all three major credit bureaus will help prevent fraudulent accounts from being opened; go to [usa.gov/credit-freeze](https://www.usa.gov/credit-freeze) for details. To cut down on telemarketers, sign up for the Do Not Call Registry at [donotcall.gov](https://www.donotcall.gov). And check with your carrier about options to block calls and texts from unknown numbers.

► **Watch for changes.** In early stages of cognitive impairment, older adults can still manage many tasks well, so their financial lapses may not be obvious. But checking in regularly makes it easier to spot warning signs, such as late payment notices or once-neat files in disarray. Other red flags might include double-paying bills or having difficulty understanding financial documents. Some forms of dementia may cause personality changes that affect financial behavior. “You might see a conservative investor plunging into a risky stock, or someone giving large amounts of money to unfamiliar charities or people you never heard of,” says Kate Granigan, a social worker and president of the Aging Life Care Association.

► **Shift control gently.** If you see signs that a loved one needs help, get ready to step in. But unless there’s a crisis, don’t rush to take over everything. One option for preserving someone’s autonomy while limiting risk is for that person to retain access to a small bank account to use for discretionary purchases. Another approach is to winnow down credit cards to one or two, reducing the number of accounts needing to be monitored, or to swap them out for a prepaid card.

► **Get help from pros.** An estate planning lawyer can review a person’s paperwork to see that it’s up to date and reflects his or her wishes. This would include a will, a medical power of attorney, and a durable financial power of attorney giving authority to a trusted person if a person is incapacitated. Many financial institutions require their own power of attorney forms, so get those completed as well. People struggling with household finances might also turn to a daily money manager, who can take care of bill paying and bookkeeping. To find one, you can try the American Association of Daily Money Managers ([aadmm.com](http://aadmm.com)). Individuals with its CDMM designation must fulfill an experience requirement, take an exam and pass a background check. Managers’ fees can range from \$50 to \$150 an hour, depending on the area and type of services.

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