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Preparing for Cognitive Impairment: Three Items You Can't Do Without

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The way in which families interact changes as life progresses – especially for those who are caring for their children, their parents, and themselves. Managing the immediate needs while keeping an eye on the future is challenging enough, but the risk of adverse consequences begins to compound when cognitive impairment enters the picture.

About half of adults in their 80s suffer from cognitive impairment. This group includes dementia patients, but is also largely comprised of those struggling with cognitive decline – impairment in processing speed, reasoning skills, spatial processing, and the ability to solve problems spontaneously.

Cognitive impairment directly impacts financial decision-making. As Next Avenue noted in a previous post: “You might not know it, but financial capacity — the ability to manage your money to meet your needs and match your values — is one of the first things to go when you have mild cognitive impairment.”

Preparing for the possibility of cognitive impairment should be a group effort among family, friends, and trusted professionals: the future can be better managed by those willing to share information and responsibilities.

The centerpiece of preparation is an Emergency Checklist, which helps track important financial and legal items. Working with advisors including financial counsel, CPAs, and attorneys, families should identify the location of legal documents, all financial accounts, and the necessary passwords to access critical information. These details should be accessible to appointed family members and held in a secure environment by a retained advisor.

As families begin to gather information, here are three critical activities that the Emergency Checklist sets in motion:

Know your debt and income sources

Understanding how money is coming in and going out of accounts serves as the basis for overseeing day to day budgeting. Children of aging parents should know how cash flow must be managed in the event they need to take control of bank accounts. They should generate lists of payments that are automatically debited, whether they are deducted monthly, quarterly, or annually, and flag those that need special attention such as insurance or real estate bills.

Identifying income starts with a review of income tax returns, which should paint a picture of how cash flow is influenced by items such as annuities, pensions, investment incomes, social security benefits and retirement plan distributions. Real estate ownership can be a more complicated issue, especially when it generates revenue as a rental property. While the tax return (Schedule E) will indicate the income stream and general expenses, families will need to develop a plan around selling the property or managing it efficiently.

If debt and income sources aren't identified, revenue can be lost and perhaps worse, unknown and unpaid liabilities can accrue penalties, damage credit scores or deplete existing financial resources.

Have a plan for real estate holdings

Whether it's the family homestead, a vacation property, or rental units, real estate holdings are usually among the most significant purchases made in a lifetime. By the later stages in life, these properties are often viewed as lifestyle properties rather than assets, which means they can be left out of important financial discussions.

Indeed, people are often reluctant to sell real estate, even if it's rarely used or has become a drain on cash flow. In the case of a second home or rental property, proper titling for estate plan purposes is extremely important. Families need to understand the real cost of upkeep, the long term plan for the property, and who is responsible for overseeing it from a financial and physical maintenance perspective in the near term.

Some of these issues may be addressed and resolved through estate planning, but before cognitive decline sets in, families must understand the basic details surrounding each property. It may sound simple, but much anxiety can be avoided by sharing where property is located, whose name is on the deed, and who is expected to make major decisions about the real estate if the owner becomes impaired.

Assign a health care agent

A health care agent is the person appointed in the health care proxy document to make medical decisions on behalf of a patient when necessary. This agent is named in a living will or durable power of attorney, and should be identified at the same time these documents are drafted. A successor to the primary agent, who is usually the spouse, should also be named.

The agent will be called upon to make formal decisions about resuscitation, use of antibiotics, palliative care, and a host of other potential medical issues (see the Mayo Clinic's website for valuable information on health care proxy).

Making sure that a properly executed health care proxy is at hand and up to date is critical: when cognitive impairment sets in, families will want absolute clarity when it comes to health care decisions. Often overlooked is the need to review the proxy every few years: preferences about care that are formed early in life often change over time. Families will want to ensure that the proxy reflects recent preferences of the patient, otherwise friends and family with the best of intentions may be forced to make decisions that don't reflect their wishes.

Take control to reduce anxiety

Families that are ready to prepare for cognitive decline should encourage open communication, organization, and teamwork. No doubt, making the transition to more of a team-oriented financial support system is emotionally complicated, but it can be liberating and life-changing as well. Taking steps early will clarify the economic landscape, allowing families to spend more time enjoying one another and less time struggling over financial management under duress.

Financial Planning Emergency Checklist

YOUR CONTACT INFORMATION

Name	Home Address	Home Phone/ Mobile Phone	E-mail

KEY CONTACTS

	Name/Company	Address	Phone Number/ E-mail
Family			
Family			
Family			
Family Friend			
Financial Advisor			
Attorney			
Certified Public Accountant			
Employer			
Insurance Agent Life, LT Care, Disability			
Insurance Agent Property & Casualty			
Primary Care Physician			

Primary Hospital			
Clergy/Rabbi			
Other: _____			

LEGAL/ESTATE PLANNING DOCUMENTS

	Location of Documents	Phone Number/ E-mail
Power of Attorney		
Health Care Proxy/Living Will		
Will		
Revocable Trust		
Irrevocable Insurance Trust		
Social Security Card/ Passport/Green Card		
Birth Certificate/ Adoption Papers		
Marriage License		
Divorce Decree		
Driver's License Number		
Other: _____		

MEDICAL

	Location of Documents	Phone Number/ E-mail
Health Insurance Plan		

Health Insurance ID Card(s)		
Record of Immunizations		
Medications		
List of Allergies		
Dental Records		
Other: _____		

BANK ACCOUNTS AND INVESTMENTS

	Institution	Address	Phone Number/ E-mail	Account #s/ Access PINs
Bank Account				
Bank Account				
Bank Account				
Investment/ Brokerage Account				
Investment/ Brokerage Account				
Investment/ Brokerage Account				
Safe Deposit Box Location/Access				
Other: _____				

INSURANCE

	Insurance Carrier/Agent	Address	Phone Number/ E-mail	Policy Numbers
Homeowners/Renter's				
Flood				

Auto				
Life				
Disability				
Long-Term Care				
Other: _____				

FINANCIAL OBLIGATIONS

	Name/Company	Address	Phone Number/ E-mail	Account Numbers
Mortgage Statements				
Real Estate Deeds				
Lease/Rent Payments				
Utility Bills (Electric/Water/Gas)				
Car Payments				
Student Loan(s)				
Alimony/Child Support Payments				
Elder Care Facilities				
Credit Card				
Credit Card				
Credit Card				
Other Debt: _____				