Advisers Must Be Proactive With Age-Impaired Clients

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More than 5 million people in the U.S. are afflicted with Alzheimer's disease, and the number rises annually. Investment News recently noted that 13% of people age 65 have Alzheimer's, but nearly half of people age 85 suffer from it.

In order to do their jobs effectively, financial advisers need to be aware of such risks with aging clients and take proactive steps to deal with signs of a client's mental impairment. They must also deal with the investment implications.

When clients display signs of cognitive impairment, one of the first skills to go involves handling financial tasks such as paying bills, balancing checkbooks or reviewing investments. While advisers are trained to handle investments, most are not psychologists and may be unsure how to handle a client with oncoming dementia or Alzheimer's.

"Most financial advisers are taught to help families with retirement, asset allocation and return on investment," said Mary Anne Ehlert, president of Protected Tomorrows, a Lincolnshire, Ill.-based financial advisory firm. Dealing with clients who show signs of dementia (Alzheimer's is the most common form of dementia) requires providing emotional support and asking the right questions to determine the client's mental capacities.

Since contending with dementia and Alzheimer's clients is unknown territory for many advisers, Ehlert suggests attending conferences that focus in this area. The Financial Planning Association or National Association of Personal Financial Advisors runs conferences and workshops dealing with these increasingly common ailments.

Eye Danger Signs

Financial planners need to tune in for signs of encroaching mental difficulties such as clients who can't find their accounts, suffer short-term memory loss or repeatedly ask the same questions. If an adviser sees that a client has trouble remembering certain transactions or calls repeatedly about the same investment, it's time to intervene, says Steve Starnes, a financial adviser for McLean, Va.-based Savant Capital Management.

But Ehlert says that confidentiality limits financial planners from discussing a client's investments with anyone other than an individual who possesses power of attorney or is a legal guardian. "We can't disclose financial information until a guardian is in place," she said.

If clients ask the adviser to make a risky or shaky investment, the financial planner is faced with the ethical and legal dilemma of how to handle it. If a client asked Starnes to wire $10,000 to an unknown recipient overseas based on an anonymous e-mail, it's a call to action for the adviser to intercede.

Starnes suggests that advisers meet one-on-one with the client and their advocate to deal with the situation. He'll tell the client why sending money to an anonymous person is ill-conceived and recommends that the guardian become involved in the client's financial and health care-related issues.

If clients are unmarried and have no living relatives or friends to represent them, advisers or the client can identify an elder care attorney to resolve the issue.

Forming Help Teams

One strategy to help the client is creating a team of specialists to alleviate the situation. Start by creating a caretaking team that consists of the guardian or someone with power of attorney, an elder care attorney, social worker and an ombudsman from the care facility. Starnes says the geriatric care manager often serves as the quarterback of the team.

But Ehlert says financial advisers often lead the group because financial decisions play a critical role in tackling all aspects of caretaking. Paying for home-care aides or a nursing home and covering medical costs are all determined by retirement savings. "The goal is to get everyone on the same page, develop a plan to deal with the issues, including paying bills, and managing day- to-day affairs," she said.

Ignoring the situation is a trap. "You can't take advice from someone who doesn't have the capacity to manage their assets," Ehlert said.

When intervention for a client with Alzheimer's operates smoothly, the financial adviser collaborates with the client and family. For example, Starnes says a 75-year-old client couldn't remember recent withdrawals or conversations. Initially, the mother balked about getting her daughter involved in her affairs but finally relented.

Eventually, the daughter moved her mom into an assisted living facility. Now the daughter consults with Starnes to handle her mother's finances.

When financial advisers determine that a client is afflicted with Alzheimer's or dementia, Starnes advises taking three steps:

1. Recommend that the client meet with a physician to assess their mental and physical condition.

2. Involve an advocate for the client, either someone with power of attorney or a guardian.

3. Ensure that the client's investments are in order because diminished mental capacity makes it hard to make financial decisions.

The goal is helping the client, financially and physically, Ehlert says. And if family members are being greedy and looking out for themselves, the financial adviser steps in and reminds everyone that the priority is taking care of the client's best interests.