



## Wealth Planning Report

# Smart Money Moves While You're Still Mentally Sharp

**A**s we age, we tend to lose some of our cognitive abilities—and that, in turn, can cause us to make financial decisions that aren't in our best interests. Every year nowadays, an older client of our firm begins losing their ability to reason well and insists on making bad decisions. It does not end well.

People commonly experience a degradation of “mental sharpness” and financial decision-making abilities beginning as early as their 60s or 70s. When you consider that there are some 10,000 Americans turning age 65 every day and the youngest baby boomers will reach that age by 2030, the issue of cognitive decline—and its potential impact on planning—is becoming truly serious.

Don't panic yet. There are positive steps you can take for a successful transition if you begin to experience a cognitive impairment that may threaten your family security and future.

### Key Planning Arrangements

Substantial research shows that our ability to steward our money declines as we age:

- Financial literacy scores decline consistently after age 60, with the annual rate of decline being both significant and similar among all cohorts—which included men, investors and those with a college degree.
- Financial decision-making peaks for most people in our early-to-mid 50s, while investing skills can start to decline sharply for many even in their 60s and 70s.
- Bankruptcy filings due to poor financial choices rose fastest among those older than 65.
- Even mild declines in cognitive performance may correspond with diminished financial capabilities.

The good news: While old age is no respecter of youth, smart planning can be done well in advance to protect your family assets from costly mental mistakes you could make some day.

**1. Start early.** The best time to begin planning about how to protect your assets from the impact of inevitable cognitive decline is well in advance of that occasion. You may want to

begin planning as early as your 50s, and sooner for some. You can't make a legally binding will or arrange other essential legal documents (like power of attorney and trusts) for possible contingencies unless you are “of sound mind”—which basically means that you act of your own free will and understand the consequences of your decisions.

**2. Simplify your financial life.** Too many people have savings and investment accounts scattered around. Consolidate disparate accounts under a coordinated custodial arrangement, such as an aggregated platform with a firm like Charles Schwab. Have a trusted CFP® professional or a wealth management firm oversee the custodian. Merge multiple bank accounts into one or two with a joint owner or special power of attorney. Such “clutter reduction” will not only simplify your life at tax time but make it easier for family members or financial advisors to step in to assist you down the road, not only for diminished capacity, but due to eventual declines in health. Get a CPA not only to do your taxes, but also to take care of the bookkeeping, as aging progresses.

**3. Have regular family conversations and advisor education.** Sit down early on with those you love and trust most to help you navigate through life if your capacity is diminished or your health becomes impaired. Decide who is most capable of making sensible financial, health care and other decisions. Have back up family office and trust arrangements that will support them. Clearly discuss your wants, needs and values with everyone, and if possible, put them in writing. If your future caregivers and decision-makers know clearly about your goals as well as how you want to be helped as you age, they can not only better honor your wishes but avoid infighting later on.

**4. Select an elder care attorney as a trusted contact person and update all legal documents with them.** Here's where your intentions align with execution. Some of the key documents you should have prior to experiencing serious physical or cognitive decline (and even premature death) are obvious—such as a will. But others are too often overlooked or never updated, include:

- **Durable power of attorney for financial arrangements.** This allows you to appoint one or more people to manage your financial assets if necessary. Have the originals held by your trusted attorney or his firm, and tell your POA where all those documents are located.

- **Health care directives.** These documents articulate directions to family members and physicians about preferred health decisions and related matters—effectively enabling the family to make better life-and-death choices for you.
- **Living and other trusts.** A revocable living trust names a successor trustee who can take control of the assets in your trust if you become mentally or physically incapacitated. For those with greater wealth, SLATs, DAPT, SPATs with trust protectors and methods for access should be considered, administered by professionals. You will need a specialist.
- Liabilities (mortgages, credit cards, recurring expenses)
- Current beneficiary designations on qualified plans and IRAs
- Insurance (life, long-term care, disability, auto and home, etc.)
- Contact information for key people/advisors (accountant, wealth manager, lawyer, physician)
- Digital information (IDs, passwords, PINs, password manager access)
- Your current will with an original signature, durable power of attorney, deed for house, car title and any bank safe deposit boxes with keys with locations
- Location of birth certificate and certificates of marriage, divorce, etc.
- Copies of any business succession plans and an original ownership-related documentation (for entrepreneurs) with location

## Additional Planning

**5. Compile key documents and keep all important financial information in one place.** Since you are likely to need help in making your financial decisions at some unknown point, it's best to make it easy for that POA, attorney, and advisors to step in. To that end, start compiling a comprehensive inventory of your key financial information. Working with a trusted CFP® professional may make this easier. You can create a digital file or folder and keep hard copies of key documents in a specific spot like a file drawer. *Whatever route you choose, tell someone you trust—ideally people who have agreed to help you if needed, be it a family member, friend, or trustee—the location of the paperwork and how to contact all your trusted legal and financial professionals.*

The specific information you compile will depend on the complexity of your financial situation, but should likely include:

- Assets (details for checking accounts, investment accounts, annuities, pensions, business interests, real estate)

## Conclusion

Let's be realistic and assume we will experience some form of cognitive decline if we live long enough or due to some accident or health issue. Taking constructive action steps now aimed at minimizing wealth-erasing mental mistakes will not only give you, but those close to you, greater peace of mind and less worry in the years ahead. By working in partnership with trusted family, friends, and legal and financial professionals, you can protect the wealth you worked so hard to build for when you most need it, and preserve a greater legacy for your family and purposeful causes.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please [contact us](#).



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Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first fiduciary planning firms that specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in best interest of clients. He brings together a proven process and a network of specialists for making informed decisions for systematic strategies, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

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