



The Toll of Dementia and Alzheimer's Disease

THE IMPORTANCE
OF PLANNING.



MARGARET PADDOCK was 31 years old when her mother was diagnosed with dementia. By then, it was too late to plan; all she could do was react. Once bright, her mother’s mind was dimming by the day. She got lost while driving to familiar places. She acted like a child. She lost her job. And when scammers convinced her to wire them \$30,000 in “taxes” so she could collect winnings from the Mexican lottery, she lost her life savings, too.

“Essentially, her brain was dying from front to back,” says Paddock, Senior Vice President and Minneapolis-St. Paul Market Leader for The Private Client Reserve. “All of this happened within a very short window of time, and consequently my mom lost her home.”

Just 53 years old, Paddock’s mother moved in with her daughter and spent her days at an adult day care center — funded by Paddock because her mother lacked long-term care insurance.

“We did that for about two years until her disease advanced to the point that she needed round-the-clock care. We then made the difficult decision to put her into a nursing home, which is where she’s been for the last 13 years,” Paddock says.

Her mother’s story is devastating. For Paddock, it has also been eye opening.

“Being in a state of disability for 15 years can drain a life’s savings,” she says. “If you can’t self-fund a long-term illness or disability, you should seek out an advisor you trust to learn about your options.”

TIME TO TALK

Unfortunately, Paddock’s mother isn’t the exception. She’s the rule. The most common form of dementia, Alzheimer’s disease, is the sixth leading cause of death in the United States and the fifth

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— Margaret Paddock

leading cause of death for those 65 and older, according to the Alzheimer's Association. About 13 percent of Americans over 65 have Alzheimer's, and 50 percent are expected to experience Alzheimer's or dementia by the time they're 85.

"The last of the baby boomers turn 50 this year," says Bill Benjamin, CEO of U.S. Bancorp Investments, Inc. "The baby boomer generation is turning 65 at a rate of 10,000 people per day, and that will continue until Dec. 31, 2029. Plus, people are living longer. In the last 50 years, mortality rates have increased by two years every decade. When you start to put all those pieces together, it's clear that a lot of people need to start having conversations about planning so they are prepared and minimize stress on their families."

Although most people acknowledge the importance of those conversations, few are actually having them. The Conversation Project National Survey, conducted in 2013, found that 90 percent of people agree that talking with their loved ones about end-of-life care is important, but that only 27 percent of people have actually done so.

"Nobody wants to talk about the final stage of life, but you need to leave your caregivers a roadmap for when you're not able to make your own decisions," says David Gutzke, Wealth Management Advisor for The Private Client Reserve.

THE HIGH COST OF DEMENTIA

As Paddock learned firsthand, end-of-life conversations are important for both emotional and financial reasons.

"Imagine ending up in an assisted-living situation where you need round-the-clock care for 15 years, like my mother," she says. "The cost of that is astronomical. And even if you can afford it, that doesn't mean it's what you want your entire life savings to go toward."

Without planning and protection, it easily could. Alzheimer's currently costs the United States \$226 billion a year in direct costs — including \$44 billion in out-of-pocket expenses — and could cost \$1.1 trillion by 2050, according to the Alzheimer's Association. The costs include not only health care for patients but also \$217.7 billion in unpaid care provided by friends and family members — and \$9.7 billion in health care costs for Alzheimer's and dementia caregivers dealing with the physical and emotional toll of caregiving.

"Because they're the longest-lasting and have the most ancillary effects, Alzheimer's and the various forms of dementia are among the costliest chronic diseases," says Wendy Johnson, Assistant Vice President for U.S. Bancorp Investments, Inc. "Half of the costs to society are borne by Medicare, so that adds another dimension to people's financial planning: Will Medicare even be around when you need it? The future of that type of public assistance is uncertain."

RISK OF FRAUD

Medical expenses aren't the only cost capable of depleting your wealth. As was the case with Paddock's mother, criminals and scammers are another financial threat facing those with dementia.

"People suffering from Alzheimer's and dementia are much more susceptible to fraud," Benjamin says. "When you're not of sound mind and you've got people selling things that seem too good to be true, you might fall for that."

Elder financial abuse in the form of theft or exploitation also is a risk. "Unfortunately, that happens sometimes when an elder has money and people feel their inheritance is threatened," Benjamin says.

The depletion of your wealth due to dementia could also impact your ability to fund other financial objectives, such as giving. "A failure to plan may have unintended consequences by depleting funds intended for other purposes, such as philanthropic goals that a family has or assets that a family plans to pass on to future generations," Paddock says. "If you plan now, while you're still of sound mind, you can potentially protect those other objectives."

The Reach of Dementia and Alzheimer's Disease

47.5 million

people worldwide currently live with dementia

75.6 million

people worldwide will have dementia by 2030

5.3 million

Americans currently live with Alzheimer's disease

16 million

Americans will suffer from Alzheimer's disease by 2050

Sources: The World Health Organization, 10 Facts on Dementia, March 2015; The Alzheimer's Association, 2015 Alzheimer's Disease Facts and Figures, March 2015

PLAN WHILE YOU CAN

If you're approaching 50 or older, you could benefit from having a plan that includes what you would want to have happen if you get Alzheimer's or dementia, Benjamin says. "Once you cross 50, you're in a critical period in your life because you can see the retirement light at the end of the tunnel," he says.

Along with standard estate planning documents like a will and living will — which dictate inheritance and medical interventions, respectively — you may also want to discuss the following tools with your tax and legal advisors:

- **Powers of attorney:** You can name a durable financial power of attorney and a health care power of attorney to make financial and medical decisions on your behalf should you be incapable of making them yourself. "It's critical to name somebody who can make hard decisions, who has some business experience and who knows you well enough to know what sort of decisions you would make for yourself if you could," Gutzke says.
- **Living trust:** A living trust may protect your assets — from yourself and others — by outlining how you want your money and property to be managed when you can no longer manage them yourself. Trustees you name will be in charge of the trust, which by nature has more restrictions — and therefore more legal staying power — than a power of attorney. "Oftentimes, people name family members as trustees. Those people often don't have any financial or investment experience and sometimes struggle to make the difficult decisions that trustees sometimes have to make," Gutzke says. "For that reason I recommend that you name an institution, such as your bank, as a co-trustee."
- **Personal financial statement:** A one-page document of all your assets, liabilities, insurance, accounts and advisors — as well as any associated computer logins and passwords (in a location safe from predators) — can be helpful to both your family and your bank.
- **Long-term care insurance:** Consider purchasing long-term care insurance. "Everyone purchases car insurance and health insurance, but for whatever reason long-term care insurance gets put on the back burner," Paddock says. "Not everyone needs it, but it's something you should consider given the high probability of eventually needing it."

Your financial, tax and legal advisors can assist you by helping you anticipate potential scenarios and establish safeguards. "You need to have the most comprehensive financial plan possible, and your advisors can help you create that," Johnson says. "Be forthcoming with them about your assets and family dynamics, because the more information they have, the better their guidance will be."

Although you can't predict the future, planning for it may give you peace.

"Anything can happen," Benjamin says. "Spending the time to establish with your family what money means to you — while you still have the cognitive ability to do so — may ensure that your kids and future generations are prepared to help you meet your goals." ■

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