



Life Tomorrow



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Financial Planning & Alzheimer's Disease: Helping Clients Understand the 'Jobs' of Living with Alzheimer's

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This brief provides an overview of opportunities for financial services innovation in the development of a services platform to support Alzheimer's patients, families and their financial planners. These opportunities may be thought of as 'jobs' for each of these stakeholders that develop from the early detection, management and natural progression of Alzheimer's disease.

Sometimes called the "long goodbye," Alzheimer's disease is one of the greatest challenges to personal health and public policy—not only in the United States, but around the world. Alzheimer's disease is one, but not the only, type of dementia. It impairs memory as well as the capacity to learn new information and make decisions. As the disease progresses, it affects the patient's ability to communicate and carry out the most basic of daily activities, including walking and eating. This irreversible brain disorder is gradual in onset and progressive in nature; it always ends in death.

Did You Know?

- Alzheimer's disease is the #6 cause of death in the United States;
- 5.2 million Americans age 65 and older have Alzheimer's;
- As more people live well into their 80s and 90s, Alzheimer's becomes more prevalent;
- Nearly half (43 percent) of those 85-plus show indications of Alzheimer's;
- 15 million Americans provide unpaid care to a person with Alzheimer's or dementia;
- Annual cost of care of people with Alzheimer's disease is estimated to be \$200 billion – *but*;
- \$33.8B is paid out-of-pocket annually by individuals and families to provide care averaging more than \$9,300 annually; and,
- By 2030, 7.7 million Americans over 65 will have Alzheimer's disease, and that number is projected to increase dramatically due to the aging of the baby boomers to 11 to 16 million by 2050

Alzheimer's Disease & Financial Planning

Science and medical advances are promising earlier detection of Alzheimer's disease. And, early diagnosis changes everything. New hope of managing the disease through early detection, related genetic testing and beginning therapeutic intervention may provide a brief extension in the quality of life for patient and family alike. But early diagnosis and the capacity to manage the disease longer presents more than an improved management strategy, it makes planning ahead possible and practical. Consequently, financial planning and creative financial product solutions that address the unique and urgent needs of families might mitigate the financial impact of Alzheimer's disease on the patient and loved ones left behind.

There are a wide range of financial services 'jobs' affecting the patient, family and even the financial planner that demand innovation from financial product manufacturers, distributors, banks and advisory management firms. While some of these jobs may require simple modification of existing financial products, e.g., life or long-term care insurance or an annuity, others may require new product development as well as novel approaches to distribution, sales and ultimately the planning discussion between advisor and client. The jobs identified here apply a disease lifecycle approach to how disease progression might impact financial planning and behavior.

Job 1. Replace lost income due to early retirement.

Increasing mild cognitive impairment or MCI is often a marker to Alzheimer's disease. Among the first signs of Alzheimer's disease onset are mood changes, taking more time to complete once-routine tasks, etc. These symptoms and the challenges associated with managing or covering up these symptoms may result in premature retirement and lost wages. Patients anticipating reduced work hours and early retirement may seek products to offset lost income for themselves and ultimately for those they care about.

Job 2. Managing household finances.

As the disease progresses executive function becomes more impaired. Bill paying, basic household financial management, such as balancing a checkbook, becomes an increasing burden. For some families this may be a task shared with a spouse, partner or transferred to an adult child. However, the spouse or partner may not want, nor be able to assume these tasks. Likewise, there may not be an adult child – or at least one that lives nearby.

Selected banks, typically their trust departments, provide these services for affluent customers. These consumers include the patient and their spouse, partner or an adult child that is a bank customer wanting a 'trusted' service to help parents living far away. Wells Fargo Elder Services is one example where the Private Bank division provides coordination of community services to the older adult or family as well as financial services such as tax preparation, document management, bill payment services, etc. Further development of these services scaled to be affordable and widely provided may meet a growing need in middle and mass affluent markets as well.

Job 3. Paying for home services, independent living & informal caregiving.

Most patients and family wish to stay home for as long as possible. Informal caregiving is costly in time and money. According to the Gallup-Healthways Well-Being Index, one in four American families provide an average of 21 hours a week of support to an elderly loved one, many of whom are managing Alzheimer's disease. Home services include installation and management of sensor technologies to ensure that appliances such as stoves are not left on, monitoring services to support the safety and well-being of the patient, e.g., ADT, GE-Intel joint venture Care Innovations. The average out-of-pocket expenses for community-dwelling Alzheimer's victims (after Medicare, private pay insurance and other sources) are more than \$3000.00 annually.

Other costs may include home nursing care, personal care supplies (incontinence is a major problem associated with Alzheimer's disease), adult daycare, transportation and direct medical expenses (medications, costs associated with other medical conditions, specialists) that will well exceed the estimated \$230,000 that Fidelity Investments suggests an average 65+ year old couple will spend in retirement.

Job 4. Financing long-term care in assisted living and skilled nursing facilities.

Eventually the needs of the Alzheimer's patient and the crush of demands on family caregivers will require formal care. According to MetLife, assisted living with Alzheimer's and dementia services can cost an average of nearly \$60,000 annually. MetLife also estimates that skilled nursing care costs average more than \$80,000 per year. Since Medicare does not cover long-term care expenses these costs are private pay unless the patient and their family exhaust their personal resources and become Medicaid eligible. In fact, data reported by the Alzheimer's Association shows that out-of-pocket expenses for facility care are more than \$18,000.00 annually even with public or private insurance support.

A recent scan conducted by the MIT AgeLab of 60 of the largest continuing care retirement communities (independent living through skilled nursing care) in North America revealed that none had a dedicated financial services or consultation package as part of their sales program. While all companies discuss projected costs to perspective residents or family members, there were no examples of specific co-branded financial products to finance care in advance or at the time of need.

Job 5. Providing financial security to family members after nursing home admission.

Admission to a nursing home does not end the financial needs of family members. The current generation of older women who may be left alone may not be financially independent. The physical and fiscal exhaustion from years of caregiving are likely to have contributed to significant health decline and greatly reduced financial well-being.

Alzheimer's disease strikes a family, not just an individual. Consequently, financial planning for family well-being as well as the cost of care is imperative for everyone. This may include a diverse portfolio of insurance products, annuities and other investments that ensure income stream for surviving family members and anticipate the likelihood of future higher health costs for exhausted caregivers.

Job 6. End-of-life planning and financial services at the time of need.

While all of us ultimately face end-of-life planning needs, far fewer actually take action to prepare a will, preplan the logistics and financing of a funeral, organize and communicate where financial investments are located and by whom, clearly assign tasks to professionals and trusted friends or family members at the 'time-of-need,' etc. Each of these are important tasks that may fall to family members but may also be tasks that a patient with early onset may wish to consult with family and trusted providers to plan, finance and execute.

Family attorneys, accountants and trust departments in banks provide these services for affluent customers. However, innovations such as Everest Funeral Package have emerged blending concierge funeral service planning, financing and implementation at the time of need anywhere in North America. Service innovations such as Everest provide a powerful example of how to reach the mass and mass affluent market using traditional distribution channels such as the financial advisor and employer along with 24/7 consumer support provided by phone and online.

Job 7. Anticipating future demands of adult children of parent(s) with Alzheimer's disease.

Genetic testing for Alzheimer's disease is developing rapidly. It is being used as a metric to determine eligibility for new treatments and increasingly being viewed as a means to prepare or predict if an individual is likely to suffer from late or early onset Alzheimer's disease. Adult children who have one or both parents with Alzheimer's disease have a far greater likelihood of developing the disease after 60 years old. Some studies suggest that the genetic link may be stronger for early onset Alzheimer's disease (between ages 30 and 60 years old) where a child with one parent afflicted by Alzheimer's may have at least a 50% chance of developing the condition and 100% if both parents have the gene. The combination of surging public awareness and attention to the growth in Alzheimer's disease combined with personal fear and advances in genetic testing is very likely to create a new financial services offering around 'Alzheimer's preparedness' that will most certainly include financial products and services to address the lifecycle needs described above.

Better Planning & A Stronger Client-Advisor-Family Relationship

Alzheimer's disease takes lives and devastates family well-being. The growing pervasiveness of the disease and its impact on household financial security demands that it now be considered in financial planning.

Here's how:

- Open a discussion broadly on the cost of healthcare. Surveys indicate that the future cost of healthcare is among the top three topics clients wish to discuss. Begin a discussion by identifying the growing trend of Alzheimer's disease and its impact on family well-being and finance. General conversations may reveal family history or the health dynamics of a client and their household;
- Show how smart planning can empower the client and relieve stress – protecting and supporting the family who will provide care and ultimately who will be left behind;
- Seek to engage immediate and extended family (adult children) in the health and preparation discussion to understand who may provide caregiving, provide financial support and determine long-term care decisions helping the client and their family identify financial strategies in the shadow of Alzheimer's disease;
- Develop a continuous dialogue with family members that may be involved in care or may be most impacted by a client's planning. Emotion sets money in motion – more than 50 percent of families change their advisor upon the death of the primary client because the advisory failed to develop an emotional attachment an engagement strategy with the immediate family;
- Demonstrate to the client proactive thinking by identifying and discussing one of the greatest health fears of people 50 years old and older – this redefines the financial advisor relationship from economic security alone to being a partner in life planning.

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