



Mental Capacity

There's a vulnerable link between changing cognitive function and financial management capacity. **Jennifer Moir** explains the role advisors should play in responding proactively to these challenges

I recently asked an audience of advisors how many of them ran senior-friendly practices. A few hands went up, and these advisors shared such tips such as allocating more time for appointments, being patient and reviewing concepts as necessary, and reducing noise and meeting interruptions. But when I asked how many felt their practice was dementia friendly, no one raised their hand.

It's critical to have the right knowledge and skills to effectively prepare for and respond to clients who experience a change in cognitive function. We know, given the aging population,

this will occur with some clients. Advancing age is the number one risk factor for such conditions as Alzheimer's disease and dementia.

I remember hearing two unsettling news reports about capacity issues. The first featured a man suffering from Alzheimer's disease who suddenly cancelled a long-standing life insurance policy — much to his wife's surprise and dismay. Reinstating the policy had been no easy task, despite medical records confirming his condition. The situation was only rectified after months of testimony and going public with their story to the media.

The second article was about a cognitive-impaired man who financed a \$70,000 vehicle. The car was not needed, nor was it in the budget. The effort to "correct" this situation was also lengthy and riddled with frustration. At one point, the family's home was at risk of being seized in order to cover the outstanding debt. Again, only by going public with the story was the situation corrected, and only when the individual's medical records and treating physician's testimony were finally accepted.

These stories are only the tip of the iceberg. They underscore the vulnerable link between changing cognitive function and financial management capacity. How can we avoid these situations and what role do we, as trusted professionals, have in responding proactively should such scenarios arise?

First, you need to develop specific communication and response strategies that support and reassure clients, versus escalate possible feelings of anxiety, confusion, or suspicion. This includes being able to identify and respond appropriately to some of the hallmarks of cognitive change, including short-term memory loss, problems with language, sudden changes in mood, paranoia, and difficulty with abstract thinking. In these cases, tone of voice, eye contact, and being able to redirect the conversation, without appearing to ignore concerns, can keep the conversation and relationship positive and productive.

The growing discipline of Financial Management Capacity (FMC) and the application of the Financial Management Instrument, is proving very helpful in co-relating specific neurocognitive deficits along the dementia spectrum and the ability to perform certain financial management tasks. Helpful to clinicians in establishing where the client may be in their disease progression, this knowledge allows us to recognize the outward signs of diminishing abilities in financial management matters, how best to bridge the gaps, and what to anticipate moving forward. Cheque writing, difficulty with interpreting statements, or understanding the movement of money are a few examples of decreasing financial management skills that fall along the dementia spectrum. Consider these red-flag scenarios.

RED FLAG 1

"My husband, who was a former senior executive in the federal government, began exhibiting considerable anxiety over money. He would ask how we got money. I've repeatedly explained about pension and investment income, but either he doesn't understand or forgets the answer immediately. I used to stick a note in his wallet about the source of our funds."

What's going on: Abstract thinking is a central characteristic of most money management practices, which can make it particularly difficult for those suffering from cognitive change to understand

and manage their finances. Taking it further, consider the concepts of investment return, loss, compounding over time, and high and low risk tolerance. All require a high degree of abstract thinking. To be told that someone else is managing your money can be, for some individuals, cause for considerable alarm.

What you can do: In some cases, slowly reviewing and simplifying these concepts can help, while constantly offering reassurance throughout. At other times, such cues as a client's increasing agitation, defensiveness, or withdrawal from the conversation will tell you that it may be best to conclude that part of the discussion rather than try and force the learning upon them. If not urgent, revisit the discussion later. These interactions and observations should be documented. Having trusted family members or advocates present at such meetings may also be wise.

RED FLAG 2

"Over time, the decline in rational thinking and competence was subtle. In the early days of his dementia, my husband looked and acted very normally in the community. But when the mail would arrive, including financial investment statements, or bank statements, he would ask me why we had our money in these places and why did we not take it out and bring it home? This happened repeatedly and his concerns were tinged with paranoia about what other people were doing with our money. He needed reassurance and I felt mild panic."

What's going on: These are valid indicators of possible cognitive change, and an example of behaviour financial advisors may well observe themselves during client interactions. Advisors may still hesitate from taking any action because they are not sure how to, are fearful of a family's reaction, or are concerned about compromising client privacy. But this is your cue to take action.

What you can do: The Financial Planning Standards Council and the Personal Health Information Protection Act offer some helpful guidelines about finding the balance between privacy and advocacy. Ask yourself, "Are any inquiries you may make on behalf of your client done in the spirit of placing their best interests first? Are you exercising reasonable and prudent judgement based on your knowledge of the client's full financial picture, personal circumstances, and the interdependencies among them? Do you believe the benefits of taking action outweigh the risk of not taking any action?"

Seeking guidance from your dealer or other bodies that specialize in privacy rights and advocacy of the elderly, such as the National Initiative for the Care of the Elderly, will also help.

Other key things to watch out for include client directives that are inconsistent with their usual investment style, or are not aligning with known goals and objectives. Perhaps cognitive-impaired clients are exhibiting an unusual degree of disinterest or apathy compared to their usual behaviour pattern with you.

RED FLAG 3

"My husband was a previously well-paid health professional and developed vascular dementia. Because of the nature of his dementia, he apathetically just lets me get on with taking care of all of

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the everyday financial matters, except he did buy one stock that ended up costing us a lot of money. This was before I thought to tell our financial advisor of his dementia.”

What’s going on: While we want to support a client’s right to make their own decisions and choices for as long as possible, “by the time symptoms become recognizable, the disease has already been present for quite some time.”¹

What you can do: Introducing a specific client service policy or procedure concerning this risk is a good idea. If developed with the right expertise, and introduced at the right point and time, it can proactively address the professional obligation to act in a client’s best interest should concerns about capacity arise, without compromising privacy. An effective client service policy will destigmatize the issue and make you, and your office, a safe place to talk about cognitive change. It will describe the manner in which you will address such a scenario should it arise, and gain the input, clarification, and support from your client. Ideally, it will give you permission in advance, to act on their behalf at the time, and without hesitation.

It is important to remember, that not all cases of changing cognitive function are due to the onset of dementia or Alzheimer’s disease. An individual’s current emotional state or disposition, mental health, stress level, underlying medical conditions, medication interactions, or substance use could all temporarily influence capacity.

Regardless of the final diagnosis, advisors need to become better informed about the signs and symptoms of cognitive change and how to respond. They need a well thought-out approach that involves appropriate communication and knowledge training, and establishes office policy and procedure that seeks to destigmatize and lays the groundwork for future problem solving.

Doing so will attract new clients who are looking to work with someone who can guide them forward not only today, but over time, and regardless of what age or stage of adult life they find themselves at. Your expertise will be recognized by others in your community who may be equally committed to meeting the challenge, but in a different way. Finally, you will have the confidence and know-how to conduct your business in accordance with the code of ethics, practice, and service standards set for your industry. 📍

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Testimonials generously shared for the purpose of education and building awareness, by Mind the Gap, an advocacy group based in Ottawa comprised of the spouses of individuals living with Alzheimer’s disease and dementia.

¹Rémi Quirion, Chief Scientist of Quebec, “The New Brain,” Maclean’s, Special Edition, 2013.



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