

Protecting Your Finances in the Face of Alzheimer's: Essential Steps to Take Now

June 2024



Introduction: The Financial Impact of Alzheimer's

Alzheimer's disease is a devastating diagnosis that affects millions of individuals and families worldwide. In 2020 alone, an estimated 5.8 million Americans aged 65 and older were living with Alzheimer's, and this number is projected to nearly triple to 14 million by 2060. As the 6th leading cause of death in the United States, Alzheimer's takes a heavy toll not only on those diagnosed but also on their loved ones and caregivers.

In addition to the immense emotional burden, Alzheimer's disease also carries a substantial financial impact. In 2020, the direct costs to American society of caring for those with Alzheimer's and other dementias totaled an estimated \$305 billion, with Medicare and Medicaid covering \$206 billion (67%) of the total cost. As the number of Americans living with Alzheimer's continues to grow, costs are expected to expand in lockstep, with combined Medicare and Medicaid spending on people with Alzheimer's projected to reach a staggering \$777 billion (in 2020 dollars) by 2050.

Facing an Alzheimer's diagnosis can be overwhelming, but taking proactive steps to protect your finances is crucial. By putting the proper legal and financial safeguards in place, you can ensure that your wishes are carried out, your assets are protected, and your loved ones are provided for, even as the disease progresses.

In this white paper, we'll discuss five essential steps you can take now to safeguard your finances in the face of Alzheimer's: creating a power of attorney, establishing a living trust, updating beneficiary designations, considering long-term care insurance and annuities, and organizing and simplifying your financial accounts. While no one is ever fully prepared for the challenges of Alzheimer's, taking these steps can provide you and your family with greater security, peace of mind, and the ability to focus on what matters most during this difficult time.

Contents: 5 Essential Steps to Take Now

- Step 1: Create a Power of Attorney
- Step 2: Establish a Living Trust
- Step 3: Update Beneficiary Designations
- Step 4: Consider Long-Term Care Insurance and Annuities
- Step 5: Organize and Simplify Financial Accounts

Step 1: Create a Power of Attorney

What is a Power of Attorney?

One of the most critical steps to protect your finances in the face of Alzheimer's is to create a power of attorney. A power of attorney is a legal document allowing you to appoint a trusted individual, known as an "agent" or "attorney-in-fact," to manage your financial affairs. This person will be responsible for making financial decisions, paying bills, managing investments, and handling other monetary matters when you are no longer able to do so yourself due to the progression of Alzheimer's.

Types of Power of Attorney

There are several types of power of attorney, each designed to serve a specific purpose:

- **Durable Power of Attorney:** This type remains in effect even if you become incapacitated, ensuring your agent can manage your finances seamlessly.
- **Springing Power of Attorney:** This type only goes into effect upon a specific event, such as a medical determination of incapacity. It can provide an added layer of protection but may require more time and documentation to implement.
- **Limited Power of Attorney:** This type grants your agent specific powers for a limited time or purpose, such as managing a particular transaction or property.

Choosing an Agent

When creating a power of attorney, choosing someone you trust implicitly to act in your best interests is crucial. This person should be financially savvy, responsible, and willing to take on the significant duty of managing your affairs. Have an open, honest discussion with your chosen agent about your wishes, expectations, and any specific instructions you may have.

Setting Up a Power of Attorney

To set up a power of attorney, you must complete the necessary legal forms, which vary by state. It's advisable to work with an experienced elder law attorney who can guide you through the process, ensure the document is executed correctly, and help you navigate any state-specific requirements. Once the power of attorney is in place, provide copies to your agent, family members, and any relevant financial institutions.

Remember, a power of attorney is essential to your Alzheimer's financial protection plan. By appointing a trusted agent to manage your finances, you can have peace of mind knowing that your affairs will be handled according to your wishes, even as the disease progresses.

Power of Attorney

signed

(me)

(Social Security number)

residing at

Step 2: Establish a Living Trust

What is a Living Trust?

Another powerful tool for protecting your finances in the face of Alzheimer's is a living trust. A living trust is a legal arrangement allowing you to transfer ownership of your assets to the trust while maintaining control over them during your lifetime. Upon your death or incapacitation, the assets in the trust are managed by a designated trustee according to your predetermined wishes.

Benefits of a Living Trust for Alzheimer's Patients

Living trusts offer several key benefits for those diagnosed with Alzheimer's:

- **Avoiding Probate:** Assets held in a living trust do not go through the lengthy and often costly probate process, which can be especially burdensome for families already dealing with the challenges of Alzheimer's.
- **Maintaining Privacy:** Unlike a will, which becomes a matter of public record during probate, a living trust keeps your financial affairs and asset distribution private.
- **Seamless Asset Management:** With a living trust, your trustee can manage your assets seamlessly if you become incapacitated due to Alzheimer's, ensuring that your financial obligations are met and your loved ones are provided for.

Creating a Living Trust

You'll need to work with an estate planning attorney specializing in trusts to establish a living trust. They will draft a trust document that outlines how your assets should be managed and distributed, both during your lifetime and after your death. You'll also need to choose a trustee—someone you trust to manage the assets in the trust according to your wishes. This can be a family member, friend, or professional fiduciary.

Funding a Living Trust

Once the trust is created, you must transfer ownership of your assets to the trust. This process, known as "funding" the trust, is crucial to ensure that the trust effectively protects and manages your assets. Your attorney can guide you through the funding process, which may involve retitling property, updating beneficiary designations, and transferring ownership of bank accounts and investments.

The Role of a Pour-Over Will

It's important to note that a living trust does not replace the need for a will. You'll still need a "pour-over" will to catch any assets not transferred to the trust during your lifetime. However, the combination of a well-crafted living trust and a pour-over will provide a comprehensive framework for protecting your finances and ensuring your wishes are carried out in the face of Alzheimer's.

By establishing a living trust, you can have peace of mind knowing that your assets will be managed and distributed according to your desires, even if Alzheimer's renders you unable to manage them yourself. This powerful tool can help protect your legacy, provide for your loved ones, and ensure that your financial affairs are handled with care and discretion.

Step 3: Update Beneficiary Designations

What are Beneficiary Designations?

In addition to creating a power of attorney and establishing a living trust, reviewing and updating your beneficiary designations on financial accounts such as 401(k)s, IRAs, life insurance policies, and annuities is essential. Beneficiary designations determine who will receive the assets in these accounts upon your death, regardless of what your will or trust may stipulate.

Why Updating Designations is Crucial

Keeping your beneficiary designations up to date is particularly important when facing an Alzheimer's diagnosis. The disease may progress more quickly than anticipated, leaving little time for complex estate planning maneuvers. By ensuring that your beneficiary designations align with your current wishes, you can provide for your loved ones and minimize the potential for confusion or disputes down the line.

Considerations When Naming Beneficiaries

When reviewing your beneficiary designations, consider the following:

- **Primary and Contingent Beneficiaries:** Name both primary and contingent beneficiaries for each account. The primary beneficiary is the person or entity you want to receive the assets upon death. In contrast, the contingent beneficiary is the backup recipient if the primary beneficiary predeceases you.
- **Specificity:** Be as specific as possible when naming beneficiaries. Include their full names, addresses, and social security numbers to avoid ambiguity.
- **Percentages:** If you're naming multiple beneficiaries, specify the percentage of the assets each should receive. Make sure the percentages add up to 100%.
- **Minors:** If you're naming a minor as a beneficiary, consider designating a custodian or trustee to manage the assets until the minor reaches adulthood.
- **Special Needs:** If you have a beneficiary with special needs, consider establishing a special needs trust to manage their inheritance and ensure their eligibility for government benefits is not jeopardized.

How to Update Beneficiary Designations

To update your beneficiary designations, contact the financial institutions that hold your accounts and request the necessary forms. You may be able to make changes online, but verifying that your updates have been processed correctly is essential.

Reviewing your beneficiary designations regularly is also a good idea, especially after significant life events such as marriages, divorces, births, or deaths. By keeping your designations current, you can ensure that your assets will be distributed according to your wishes and avoid potential complications for your loved ones.

Remember, beneficiary designations supersede the instructions in your will or trust, so aligning them with your overall estate plan is crucial. Work with your financial advisor and estate planning attorney to ensure your beneficiary designations are appropriately coordinated with your other legal and financial documents.

By updating your beneficiary designations as part of your Alzheimer's financial protection plan, you can provide for your loved ones, minimize the potential for disputes, and ensure that your hard-earned assets are distributed according to your wishes.

Step 4: Consider Long-Term Care Insurance and Annuities

The Costs of Long-Term Care

As you navigate the financial implications of an Alzheimer's diagnosis, it's crucial to consider the potential costs of long-term care. Individuals with Alzheimer's often require extensive assistance with daily living activities, and the costs of this care can be staggering. On average, the lifetime cost of care for someone with dementia exceeds \$287,000 (in 2010 dollars), with 70% of this cost borne by families through out-of-pocket expenses or unpaid caregiving.

Consider investing in long-term care insurance and annuities to help mitigate these costs and protect your assets.

How Long-Term Care Insurance Can Help

Long-term care insurance is a type of policy that covers the costs of extended care, such as in-home assistance, adult day care, assisted living, and nursing home care. By purchasing a long-term care policy while you are still healthy, you can ensure that you have access to quality care should the need arise without depleting your savings or burdening your family with significant out-of-pocket expenses.

Factors to Consider When Evaluating Long-Term Care Insurance

When evaluating long-term care insurance policies, consider the following factors:

- **Daily Benefit Amount:** Look for a policy that provides a sufficient daily benefit to cover the costs of care in your area.
- **Benefit Period:** Choose a policy with a benefit period that aligns with your anticipated needs and budget.
- **Elimination Period:** Consider the length of the elimination period (the time between the start of care and when benefits begin) and how it fits with your financial situation.
- **Inflation Protection:** Opt for a policy with inflation protection to ensure that your benefits keep pace with rising care costs over time.



Long-term Care
Insurance

The Role of Annuities

In addition to long-term care insurance, annuities can play a valuable role in your Alzheimer's financial protection plan. Annuities are insurance contracts that provide a guaranteed income stream for a specified period or the remainder of your life. By purchasing an annuity, you can ensure a steady source of funds to help cover living expenses and care costs, even if your other assets become depleted.

Types of Annuities to Consider

There are several types of annuities to consider, including:

- **Fixed Annuities:** These provide a guaranteed fixed payment for a set period or life, offering stability and predictability.
- **Variable Annuities:** These offer the potential for higher returns by investing in a portfolio of mutual funds, but also come with greater risk.
- **Indexed Annuities:** These provide a return based on the performance of a specified market index. They have the potential for higher earnings than fixed annuities but with some downside protection.

When selecting an annuity, work with a reputable financial professional to compare options, understand the fees and surrender charges, and ensure that the product aligns with your overall financial goals and risk tolerance.

By incorporating long-term care insurance and annuities into your financial plan, you can create a safety net to help cover care costs, protect your assets, and provide peace of mind for you and your loved ones. While these products may require an upfront investment, they can offer invaluable security and support as you navigate the challenges of Alzheimer's.



Step 5: Organize and Simplify Financial Accounts

The Importance of Organizing Finances

As Alzheimer's progresses, managing multiple financial accounts can become increasingly challenging, both for the individual with the disease and for their loved ones. To minimize confusion, reduce the risk of errors, and ensure that your finances are easily manageable, it's essential to organize and simplify your accounts.

Creating a Financial Inventory

Start by creating a comprehensive inventory of all your financial accounts, including:

- Bank accounts (checking, savings, money market)
- Investment accounts (brokerage, mutual funds, IRAs, 401(k)s)
- Insurance policies (life, health, long-term care, disability)
- Credit accounts (credit cards, loans, mortgages)
- Property deeds and vehicle titles
- Safety deposit boxes

For each account, record the institution name, account number, login information (usernames and passwords), and contact details for the financial professional managing the account (if applicable). Store this information in a secure location, such as a password-protected digital file or a fireproof safe, and ensure that your power of attorney and trusted family members know how to access it.

Consolidating and Simplifying Accounts

Next, consider simplifying your financial landscape by consolidating accounts where possible. For example, you might:

- Roll over old 401(k)s from previous employers into a single IRA
- Consolidate multiple bank accounts into one or two primary accounts
- Close unused or inactive credit accounts to reduce the risk of fraud or identity theft

Streamlining your accounts can make it easier for you and your loved ones to monitor your finances, ensure that bills are paid on time, and identify any suspicious activity more quickly.

Automating Payments and Deposits

It's also good to set up automatic bill payments and direct deposits for regular expenses and income sources. This can help ensure that your financial obligations are met consistently, even if you experience cognitive decline or are unable to manage the transactions yourself.

Working with Financial Professionals

Finally, consider working with a trusted financial advisor or daily money manager who can help you organize your accounts, simplify your financial plan, and provide ongoing support as your needs change. They can also work closely with your power of attorney and family members to ensure a smooth transition of financial management responsibilities if necessary.

Remember, organizing and simplifying your financial accounts is not just about making things easier for you; it's also a gift to your loved ones. By implementing a clear, streamlined system, you can reduce the stress and complexity of managing your finances, allowing your family to focus on providing the care and support you need during this challenging time.

The Importance of Early Planning

While it's never easy to contemplate the possibility of developing Alzheimer's, it's crucial to recognize the importance of early financial planning. By taking proactive steps to protect your finances while you are still healthy, you can ensure that your wishes are honored, your assets are safeguarded, and your loved ones are supported, even if you eventually face a diagnosis.

Sobering Statistics

Consider the following sobering statistics:

- One in three seniors dies with Alzheimer's or another form of dementia.
- Alzheimer's disease is the sixth leading cause of death in the United States.
- The lifetime cost of care for someone with dementia exceeds \$287,000 on average.
- One-third of people with dementia experience financial problems, with even more significant hardship for those living alone.

These figures underscore the critical importance of planning ahead. By creating a comprehensive financial protection plan early on, you can mitigate the risks associated with Alzheimer's and provide a roadmap for your loved ones to follow if you become incapacitated.

Benefits of Early Planning

Early planning allows you to:

- Make critical financial decisions while you are still competent.
- Communicate your wishes clearly to your family and advisors.
- Put legal and financial safeguards in place to protect your assets.
- Ensure that your loved ones have the resources and support they need to provide for your care.
- Reduce the stress and burden on your family during a challenging time.

Critical Aspects of Early Planning

In addition to the financial protection strategies discussed earlier (power of attorney, living trust, beneficiary designations, long-term care insurance, annuities, and account organization), early planning may also involve:

- Discuss your wishes for care with your family and document them in a living will or advance directive.
- Research care options and costs in your area to inform your financial planning.
- Exploring government benefits and community resources available to support your care.
- Building a support network of family, friends, and professionals who can assist with your care and financial management.

It's important to remember that early planning is not just for the wealthy. Regardless of your financial situation, putting a plan in place can help ensure that your needs are met and your wishes are respected while also reducing the burden on your loved ones.

If you haven't already started planning for the possibility of Alzheimer's or another form of dementia, now is the time to take action. Don't wait until a diagnosis or a crisis forces your hand. By proactively addressing your financial protection needs, you can provide yourself and your loved ones with the security, peace of mind, and support needed to navigate this challenging journey.

Recap of Key Financial Protection Strategies

Facing the possibility of an Alzheimer's diagnosis can be overwhelming, but taking proactive steps to protect your finances can provide you and your loved ones with greater security, peace of mind, and the ability to focus on what matters most during this challenging time.

Throughout this paper, we've discussed five critical strategies for safeguarding your finances in the face of Alzheimer's:

- 1. Creating a power of attorney** ensures that a trusted individual manages your financial affairs if you become incapacitated.
- 2. Establishing a living trust** to protect your assets, maintain privacy, and facilitate seamless management of your finances.
- 3. Updating beneficiary designations** ensures that your assets are distributed according to your wishes.
- 4. Long-term care insurance and annuities** should be considered to help cover the costs of extended care and provide a steady income stream.
- 5. Organizing and simplifying your financial accounts** to reduce confusion, minimize the risk of errors, and make management more accessible for you and your loved ones.

In addition, we've emphasized the importance of early planning. By taking action now, while you are still healthy and competent, you can make important decisions about your care, communicate your wishes to your family, and put legal and financial safeguards in place to protect your assets and support your loved ones.

The Importance of Professional Guidance and Support

Remember, you don't have to navigate this process alone. There are numerous resources and professionals available to help you create a comprehensive Alzheimer's financial protection plan, including:

- **Elder law attorneys** specializing in estate planning, trusts, and power of attorney documents.
- **Financial advisors** who can help you assess your needs, explore long-term care insurance and annuity options, and develop a comprehensive financial strategy.
- **The Alzheimer's Association** provides information, support, and resources for individuals and families affected by the disease, including a free 24/7 Helpline (800-272-3900), support groups, and online education.
- **The National Institute on Aging's** Alzheimer's and Related Dementias Education and Referral (ADEAR) Center offers science-based information on causes, diagnosis, treatment, caregiving, and research.
- **The Alzheimer's Foundation of America** provides support, services, and education, including a National Toll-Free Helpline (866-232-8484) staffed by licensed social workers.
- **Local Alzheimer's organizations and chapters** that provide services tailored to your community, such as care consultations, classes, and support groups.

By leveraging these trusted resources and taking proactive steps to protect your finances, you can create a roadmap for the future that provides security, dignity, and peace of mind for you and your loved ones. Not only will this alleviate financial stress, but it will also offer emotional relief, allowing you to focus on cherishing time with loved ones and living life to the fullest.

A Call to Action

So don't wait – start the conversation today. Contact trusted professionals, talk to your family about your wishes, and begin putting the pieces of your Alzheimer's financial protection plan in place. While no one can predict the future, by taking action now, you can face the challenges ahead confidently, knowing that you've done everything in your power to protect yourself and your loved ones.

Remember, your financial security and well-being are worth investing in. By taking proactive steps to safeguard your finances in the face of Alzheimer's, you can ensure that your legacy is protected, your wishes are honored, and your loved ones are supported every step of the way. So start today – your future self and your family will thank you.

Why Choose Oceanview Life and Annuity Company

Facing the challenges of Alzheimer's disease requires careful planning and the right financial tools to protect your assets and ensure your wishes are honored. At Oceanview Life and Annuity Company, we understand the complexities involved in planning for such a diagnosis and are committed to helping you navigate these difficult times with confidence and peace of mind.

Unmatched Expertise and Stability

Our financial strength is recognized with an "A" (Excellent) rating from A.M. Best, reflecting our stability, reliability, and commitment to meeting our policyholders' needs.

Comprehensive Solutions Tailored to You

We offer a range of competitive annuity products, including Multi-Year Guaranteed Annuities (MYGAs) and Fixed Indexed Annuities (FIAs), designed to provide you with secure growth and guaranteed income options. Our products are crafted to meet diverse retirement needs, offering flexibility and security to ensure you can confidently plan for your future.

Peace of Mind in Uncertain Times

By choosing Oceanview Life and Annuity Company, you are selecting a partner dedicated to safeguarding your financial future. Our focus on proactive planning and comprehensive financial protection strategies ensures that you and your loved ones can face the future with confidence, even in the face of life's greatest challenges.

Join the Oceanview Family

We invite you to join the Oceanview family and experience the difference that our commitment to excellence, stability, and personalized service can make. Protect your retirement savings and secure your financial future with Oceanview Life and Annuity Company, where your peace of mind is our top priority.

For more information on how we can help you protect your finances in the face of Alzheimer's and other challenges, contact us today or visit our website. Let us help you achieve the financial security and peace of mind you deserve.

This material is a general description intended for educational purposes only. You should consult with your agent or other financial professional to determine what, if any, action may be appropriate for you. As such, nothing in this document should be read as investment advice. You should reach out to your financial professional if you have any questions about our Company's products or their features.

Annuities issued by Oceanview Life and Annuity Company, Denver, CO (in CA d/b/a Oceanview Life and Annuity Insurance Company). Product provisions may vary and are not available in all states.

Sources:

Alzheimer's Association. (2020). 2020 Alzheimer's Disease Facts and Figures.

<https://www.alz.org/media/Documents/alzheimers-facts-and-figures.pdf>

Alzheimer's Association. (n.d.). Planning Ahead - Financial and Legal Planning.

<https://www.alz.org/help-support/caregiving/financial-legal-planning/planning-ahead>

ElderLawAnswers. (n.d.). Alzheimer's & Dementia: Legal Planning for the Future.

<https://www.elderlawanswers.com/alzheimers-dementia-legal-planning-for-the-future-12096>

National Institute on Aging. (2021, April 13). Alzheimer's Caregiving: Financial and Legal Planning.

<https://www.nia.nih.gov/health/alzheimers-caregiving-financial-and-legal-planning>

National Institute on Aging. (2017, December 31). Legal and Financial Planning for People with Alzheimer's.

<https://www.nia.nih.gov/health/legal-and-financial-planning-people-alzheimers>

U.S. Department of Health and Human Services. (n.d.). Long-Term Care. <https://longtermcare.acl.gov/>