INVESTING AND AGING WITH DIGNITY

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Aging – how will we do it well? And when will we bring in the resources we need? The answers to where, with whom, and how, will dictate a significant number of family discussions as an aging population navigates the future.

I was recently interviewed by Reuters on the very important and often underreported issues of dementia (and Alzheimer’s disease) and the management of one’s financial resources. I explained that many aging individuals do know their limitations and aren’t afraid to ask for help or turn over the decision making tasks to others at the proper time. However, some aging investors wait far too long and become subject to elder fraud or worse.

Issues relating to demographics and aging pervade our society and the broader economy. Though the tipping point varies by individual, at a certain age we seek security and look to strategic partnerships to assist our family with the next few decades. At age 85 the noted economist and former Fed Chair Paul Volker reminded me that even he worries about his money. If world famous economists seek assistance, shouldn’t we all? Academic credentials may not always equate with the skills necessary for managing the family nest egg. Others feel they lack the interest in keeping up with current issues relating to the structure and behavior in the markets. Aging clients may also become subject to scams or cons, or the marketing efforts of charities, casinos or “wealth managers” promising too-good-to-be-true returns. Bernie Madoff built an empire on this as many of our readers know.

The increase in life expectancy and the concurrent rise in dementia and Alzheimer’s among an aging population remains a societal challenge. According to the World Health Organization a new case of dementia is diagnosed every four seconds. Both aging boomers and their children often remain financially illiterate – some due to a loss of capacity and others due to a lack of the basic building blocks of financial literacy.

The demographic trend of growing and aging populations that envelops much of the developed world will not change in most of our reader’s lifetimes. According to Pew Research, the life expectancy in the United States was 68.6 years in 1950 and is expected to reach 84.1 by 2050. The loss of financial literacy and capacity is growing at both ends of the spectrum. According to U.S. Census data, women are outliving men (81.4 years to 76.4 years estimated for 2015) and there also will be more senior, and financially challenged, folks around.
The percentage of people over 65 years of age is estimated to rise from 13.1 percent in 2010 to 21.4 percent in 2050.

An excellent post by colleague Kimberly Blanton at the Center for Retirement Research at Boston College highlighted recent data on the issue. Blanton cited a recent study by economists Joanne Hsu (Federal Reserve Board) and Robert Willis (University of Michigan) that found that 80 percent of married older Americans who had been in charge of their household finances continued to manage them—even after tests revealed that they were not capable of doing so.

Blanton’s reporting, and the accompanying research at the Center for Retirement Research, suggest that steps of preparing “for the day when the person managing the money shouldn’t be” should be the focus of many families. An economic dividing line also exists between those who ask for help and those who don’t. Hsu and Willis reported that couples with existing investment portfolios are “more responsive to information about cognitive decline.”

How should one cross that bridge and raise financial awareness about a cognitive decline? Candor, finesse, and objective assessment are essential. Currently, there is no commonly accepted standard for when you should relinquish the reigns of control. The dynamic is similar to driving a car because at a certain age the reaction reflexes just aren’t the same. For men, who sometimes serve as the family’s CEO, it’s more likely that they will be unwilling to give up control. The traits that often serve males well during their careers—hard work, determination, and belief in their own judgments—can translate into counterproductive and nostalgic investment themes when they are least beneficial. Women, often the family CFO, may be wiser in this area and should be brought into family discussions early.

Friends and clients in their 70’s, 80s and 90s have explained the most difficult aspect of shifting from an active life of work and building is creating and molding a new definition of self-worth. When a potential cognitive decline enters the equation, it can add confusion for their families. Nothing makes me happier than to partner with former judges, successful business people, and former colleagues in their encore careers where they seek us out for counsel for their family’s financial security. Some realize they’ve “lost their fast ball” and others just wish to pay us so that they can spend more time with family and on issues they see as more important than spending time on the day-to-day care of their nest egg.

I’ve had others around a similar age reluctant to admit they need help. My proverbial alarm bells go off when I’m conferring with a client or prospective client that “hears” something very different from what I’ve said regarding their financial affairs—or they vacillate too long over decisions and their financial security suffers from the resulting delay or neglect.

What to do now? It’s time to make a call to a family member or their accountant or tax attorney to enlighten them.
As always, honesty and transparency are the best policies. We utilize the deep network we have built over years, even decades, to make that courtesy call. It goes back to the fundamentals of advising. Keeping our client’s “team” informed and engaged remains a top priority even when our assessments are sometimes difficult to share.

Does anything you’ve read trigger a question? Send us an email.