Cognitive decline can beset families with little warning. And when memory goes, so goes the ability to manage everything from relationships to decisions on family finances. What strategies and conversations can help? When can they be implemented? What happens next?
USE THIS PAPER TO HELP PREPARE

We don’t have a cure for Alzheimer’s, but we have a partial solution: preparing for the unexpected.

In this paper, you’ll find strategies for your family, insights into current research and best thinking, plus personal stories that help illustrate how swiftly cognitive decline can become a serious issue in any family.

Identifying your concerns, preferences and goals now is paramount. We would like you to use this paper to empower your thinking and to help you consider the many legal, financial and medical decisions that—regardless of whether you expect cognitive decline in your life—may need to be addressed.

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ADDRESSING MEMORY AND YOUR FAMILY

Addressing Memory & Your Family

Cognitive decline can beset families with little warning. And when memory goes, so goes the ability to manage everything from relationships to decisions about family wealth. What strategies and conversations can help? When can they be implemented? What happens next?

Charlie Collier has always been the kind of guy you could depend on. As a devoted family man and a senior philanthropic advisor to Harvard University, Collier spent his career helping families as they grappled with financial decisions. Down to his signature bow ties, he was always on point.

Things rapidly began to change. The veteran traveler was an hour behind for a flight and missed his plane. He forgot he locked his car immediately after doing so, and after a lifetime of clean driving, he had two accidents. When he couldn’t summon a solid forehand on the tennis court, he knew something was wrong.

In 2009 at age 60, Collier was diagnosed with early-onset Alzheimer’s disease, which can affect people younger than 65. His symptoms—memory loss, lapses in judgment and difficulty recalling words—were initially thought to be the effects of a small stroke. In reality, they were signs of cognitive decline.

Broadly, cognitive decline or diminished capacity is the loss of specific memory and judgment skills that can affect many individuals as they age. Those who exhibit symptoms early in life have an increased likelihood of developing dementia or specific diseases like Alzheimer’s.¹ (See “Symptoms of Cognitive Decline,” page 5.)

Alzheimer’s: The word alone is enough to send shivers through any family. But instead of retreating from the world, Collier decided to use his diagnosis

¹ Mild Cognitive Impairment, Alzheimer’s Association, alz.org, retrieved April 2015.

Diminished capacity is the loss of specific memory and judgment skills that can affect many individuals as they age.
as an impetus for change. He now devotes his life to raising awareness by working with an aide and holding small meetings with families and groups who are interested in learning about Alzheimer’s. He emphasizes the disease’s prevalence: one in three seniors die with some form of dementia.² Although the condition is most associated with the elderly, early-onset Alzheimer’s affects about 200,000 Americans.³ Although not as sudden as a stroke or heart attack, the impairment can start as quickly as the flip of a switch.

While cognitive impairment has been shown to begin as early as age 45,⁴ as people live longer, planning for the possibility takes on greater urgency. “We need to empower people,” says Michael Liersch, head of behavioral finance at Merrill Lynch Wealth Management. “Everyone should identify their needs, concerns, preferences and goals ahead of time—while they are still able to make decisions. That will help them maintain control, even in the face of cognitive decline.”

And yet talking about cognitive decline can be inherently tense. A well-intentioned conversation—regardless of who starts it—can easily turn hostile or defensive. However, the insights and strategies for transferring legal, financial and medical control that you’ll find in this paper can help you feel more confident about broaching the subject of cognitive health with a family member. Dealing with disease may never be easy, but the right information can help empower families facing the challenges of cognitive issues.

I: Tackling the Big Concerns

The Emotional Toll

In Health and Retirement: Planning for the Great Unknown, a retirement study conducted in 2014 by Merrill Lynch in partnership with Age Wave, more than half (54%) of survey respondents said that Alzheimer’s is the scariest disabling condition one can encounter later in life. “This fear is really about the loss of freedom,” says Surya Kolluri, a managing director of policy and market planning for Global Wealth and Retirement Solutions at Bank of America Merrill Lynch. “Ironically, as people get older, they are both more likely to have cognitive health issues and less likely to want to talk about them.”

Those who hold very public positions may be concerned about how decline will impact their reputation. Their work and self-image are often deeply

³ Ibid.
intertwined, and behaviors that mask the loss of functionality help keep concerned loved ones at arm’s length. The careers of many wealth creators were built on their leadership abilities, and the idea of relinquishing control of their affairs can be extremely difficult to contemplate. Yet by insisting on control and denying their decline, wealth creators may end up waiting too long to start planning and entirely lose their grip on the reins.

**Changing Demographics and Financial Concerns**

With greater life expectancy and the aging of boomers, the U.S. population age 65 and older is expected to increase 112% between 2014 and 2060. Likewise, the number of Americans with chronic conditions like diabetes, Alzheimer’s and arthritis is expected to rise.

In a sense, the future is here. Today, 86% of Americans age 65 and older have at least one chronic condition, and that type of health cost is taking a financial toll, both individually and on our healthcare system. Nearly one of every five dollars spent by Medicare is on people with some form of dementia, and the average per-person Medicaid spending for seniors with dementia and Medicare benefits is 19 times higher than the average Medicaid spending for all other seniors.

Given these high healthcare costs, it comes as no surprise that in our health and retirement survey, 41% of all respondents said that healthcare expenses would be the greatest financial worry in retirement. Yet for many families, the concern may not be a lack of funds to pay for health-related expenses but the complexity of navigating healthcare.

What’s more, our system seems to be stacking the deck against an older population. In the United States, just one geriatrician is being trained for every 13 pediatricians. And while a medical breakthrough could change the game, only time will tell how the scientific and medical communities respond to our aging population.

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**SYMPTOMS OF COGNITIVE DECLINE**

- Memory loss
- Decreased or poor judgment
- Difficulty understanding simple concepts
- Mood swings
- Difficulty communicating
- Confusion with time and place
- Difficulty with familiar tasks
- Trouble with spatial relationships
- Withdrawal from work or social activities
- Losing things
- Uncharacteristic impulsive actions


Nearly one of every five dollars spent by Medicare is on people with some form of dementia.
Financial Predators and Elder Abuse
The elderly are prime targets for fraud, and those with cognitive impairment are especially vulnerable. According to a recent survey, elderly victims of fraud have suffered average losses of $30,000, with some individuals losing more than $100,000.9

“The startling truth is that we don’t know the full extent of elder fraud,” says Tom Blomberg, the dean and Sheldon L. Messinger professor of criminology at the College of Criminology & Criminal Justice at Florida State University. “But it’s worse than the recorded numbers reveal.”

Fraudsters tend to take advantage of seniors with sophisticated technology or confusing tactics that are likely in their blind spot. Blomberg notes that over half of documented cases involving financial fraud are perpetrated by family members or other people the victims know—including healthcare professionals. (See “Types of Scams,” at left.)

The elderly stand to lose far more than their assets. “As an elder citizen, one of the most fundamental things many cling to is the idea of independent living,” says Blomberg. “The thought of that being taken away because they exercised poor judgment is extremely difficult.”

II: Talking About Cognitive Health
Talking about what to do if a loved one becomes mentally incapacitated is crucial. Yet not even a generation ago, the conversation may have seemed unnecessary. “We weren’t seeing the issues we’re seeing today because, frankly, people weren’t living as long,” says Cynthia Hutchins, director of financial gerontology at Bank of America Merrill Lynch.

Consider a retiree who, 30 years ago at age 65, expected to live another 10 to 15 years tops, but instead lived to 95. She never considered having to pay for 30 years of lifestyle and healthcare costs after retirement. Questions she

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answered when she was younger and in better cognitive health—such as whether she would rather be in an assisted living facility or age at home—were long outdated, and she hadn’t made any new wishes known. By the time her family considered these concerns, they were already in the thick of a healthcare calamity. “In crisis mode, judgment is clouded by emotion, and spur-of-the-moment decisions may lack clarity and intentionality,” says Hutchins.

Today, it is increasingly more important to have conversations about health—even if you think you don’t need to. This is uncharted territory for many families, and of course there can be hesitancy or discomfort. But there doesn’t have to be, if you know where to begin.

The aging person has to have a sense of participation in the process, says Hutchins. One way to help a family member facing cognitive decline feel in control is to start the conversation by asking if they’ve thought about what happens if they can’t care for themselves. Asking questions makes you a listener who is receptive to your loved one’s needs, and gives them an open floor to discuss the issue, which they may have been waiting for all along. “Sit on the same side of the table with your loved one,” says Hutchins. “Make sure they understand that you’re not trying to take away their independence. Your goal is to know what options they want you to put in place, when and if the time arises.”

Delving into the bigger picture questions immediately can be overwhelming, so once you’ve set the tone, start small and stick to details. Maybe they’re forgetting to shower or pay their bills. Using concrete examples can help ground your concern in reality. Put the conversation in context by mentioning an article you read on the subject, or a friend’s family who is having a similar experience. Universalizing the cognitive decline experience makes the conversation about a larger social concern. It also doesn’t hurt to mention the facts about how prevalent cognitive decline is.

Charlie Collier notes how essential these conversations are. “Creating a family plan or roadmap that includes intentional planning in the face of early and unexpected tragedies can be incredibly grounding and guide the family going forward,” he says through his aide. “I hate to call it a disaster plan but sometimes creating a guide through conversation gives the family a sense of security.”

A successful conversation can have empathy, openness and even humor, but keep in mind that one successful talk doesn’t equal immediate resolution. “You want to have the conversation early and regularly,” says Hutchins. That’s where your advisor may be able to facilitate the process. Advisors can help make sure the needs of all stakeholders are addressed and validate different
types of stress for all family members involved. Involving an advisor also creates an opportunity for the advisor to meet the next generation, and be part of the process from the very beginning.

Ultimately, talking about cognitive decline is about securing a family’s legacy and giving elders influence over a future they sadly won’t be a part of. “In many ways,” says Hutchins, “making their wishes known is a long-term gift to everyone.”

III: Establishing a Legal and Financial Strategy

“Ideally, people would talk to their advisors in advance of diminished capacity so they could work together,” says Mitchell Drossman, national director of wealth planning strategies at U.S. Trust. “That way, they can tailor something that would work to help appoint the right people with the right kind of accountability and flexibility. Being proactive about planning can help avoid going to court.”

Given longer life spans and the complex tax issues involved in estate planning, the conversation has shifted. “A lot more attention and detail is needed in terms of planning cash flow and investments,” says Drossman. What this means for families is that it has never been more important to put safeguards in place to legally, medically and financially protect one’s assets.

The question is: How does someone whose capacity is diminishing manage accounts in a proactive manner? Laws vary from state to state, but there are a few parameters that every family should keep in mind.

1. **Consider appointing a power of attorney**
   A power of attorney is a written authorization giving an “agent”—usually a family member—the authority to enter into financial and legal decisions on another person’s behalf. The powers granted to the agent may be broad or limited, depending on the wishes of the principal, the person for whom the power of attorney is created. The two most common types are:

   **Keep up with key paperwork**
   Paperwork can overwhelm, but one way to get started is by putting together a “financial album” for your family. It’s a place where important documents—wills, deeds, beneficiary designations, powers of attorney and so on—can be kept together. This will allow a family member or attorney to navigate documents quickly so they’re not scrambling during a crisis. Think about including: documents for healthcare proxy, power of attorney and trusts, a living will, medical forms, important passwords, asset lists and HIPAA waivers, which can allow designated individuals access to health records.
• **Durable power of attorney:** Goes into effect immediately, and stays that way even if the person is no longer incapacitated.

• **Springing power of attorney:** As its name suggests, this power springs into effect only if and when the principal becomes incapacitated.

There are benefits to each, says Steven Lavner, national wealth strategist, at U.S. Trust. For some families, a durable power is preferable because the decision made early will carry through. However, in some cases, it may mean granting power of attorney even when the principal doesn’t yet need it. While a springing power is more tailored to changing needs and circumstances, the drawback is that determining incapacity can be difficult, explains Lavner.

In either case, after appointing an agent, there are still details to hash out to define the scope of authority:

• **Determining financial responsibilities.** Do you want your agent to handle just investing and bill paying, or do you want them to have broader financial responsibilities? In some cases, naming more than one agent and designating different responsibilities to each makes sense. Naming multiple agents is not a bad thing, but make sure they can work well together.

• **Gifting.** If you want your agent to be able to make gifts for you during your lifetime, this authority has to be carefully designated since there’s potential for abuse. Set up a system of checks and balances.

2 **Get all medical documents in order**

In order for someone to take full control of another person’s medical decisions, there are two primary documents: a living will and a healthcare proxy. Some people have one or both set up in advance.

• **A living will** is an advance directive in which a person specifies their medical wishes regarding things like pain management and life support.

• **A healthcare proxy** (also known as a medical power of attorney in some states) is a document that appoints another person to make medical decisions on a person’s behalf, in the event they are unable to express their treatment preferences. This role may change as a condition progresses.

**CONSIDER A REVOCABLE LIVING TRUST**

For a high level of protection, consider a trust. “The benefit of putting property or assets into a revocable living trust (RLT) is that if you become incapacitated, a successor trustee (or co-trustee) is already designated to manage the assets for you,” explains Drossman. The RLT allows an individual to put property in a trust today while retaining full control over it and even the right to revoke it in the future, which, in some cases, may help diminish the need for reliance on a power of attorney.
It’s important to keep in mind that the person suited to managing a family member’s financial affairs is not necessarily the right person to make medical decisions. A person who takes care of expenses might not be the best person to decide whether a loved one should remain on life support. Other factors to consider are the health and age of an agent. Although spouses tend to appoint each other as agents, this might pose a conflict if they are aging together. Because medical and financial agents have significant authority, care must be taken in their selection.

Consider the family situation

When the person responsible for the family’s financial decisions steps down, it can create a vacuum of power within a family. Understanding how this affects the family dynamic is crucial when delegating responsibilities. Decisions can bring up old behavior patterns and tension, explains Stacy Allred, a wealth strategist leading Merrill Lynch’s Center for Family Wealth Dynamics and Governance™. “Children are mindful if mom or dad selects one of them to be either financial agent or healthcare agent, and not the other. Without an explicit discussion, they may wonder, ‘Why wasn’t I also viewed as responsible enough to make those decisions?’ The stress and anxiety often compound if there’s a feeling of inequality.”

IV: Preparing for the Future

By 2050, the number of Americans age 65 and older with Alzheimer’s disease is expected to more than triple, to as many as 16 million.10 The reality is, many people over 65 don’t have significant memory loss. Yet there are typical age-related changes that are important to be aware of, as the mind does tend to naturally slow down as we get older. We tend to be less mentally flexible, processing information may take longer, and difficulty recalling names of people and places is common—though intelligence remains stable.11 Learning to distinguish between regular signs of aging and signs of cognitive decline, especially when they interfere with daily life, can help you recognize the first signs of diminished capacity.

When the person we depend on most is no longer recognizable or, worse, no longer recognizes us, our world can feel turned upside down. The loss of self can tinker with our core sense of order and security. That’s why, even though preparing for cognitive decline is important for legal, financial and medical reasons, the sense of comfort it brings may be the most valuable outcome. And for a generation determined to live active, health-conscious lives well into old age, a little bit of foresight and a lot of communication and planning can go a long way.

Cognitive decline doesn’t have to be the end of a life. Charlie Collier still works and helps others plan out their futures. “Since it is difficult to express myself, people look at me funny sometimes,” he says through his aide. “But since retiring from Harvard I have focused on getting people comfortable. We want people to have a conversation about the disease, ask questions, share stories and not be afraid or ashamed about family members who are afflicted with cognitive decline.”

For more information contact your advisor or visit ustrust.com/cognitivehealth.

ALISTER AND CECILE’S STORY
In 2009, Cecile Bazaz was diagnosed with early-onset Alzheimer’s disease at the age of 51. Her husband, Alister Bazaz, a Bank of America executive, says that the family immediately changed—structurally and financially.

“Today,” says Bazaz, “Cecile needs to be fed. She has no manual dexterity, and she can no longer communicate effectively.” As a result, their only daughter became almost a third parent. Although only a sophomore in college, she was quickly granted access to the family’s finances and began working with advisors.

When Alister and Cecile started planning their estate, they decided on details specific to cognitive decline, such as long-term-care insurance policies that would pay for expenses that Cecile may require in an assisted-care home. Alzheimer’s influenced every financial decision, and it was incorporated into every strategy.

FURTHER READINGS TO CONSIDER
For more on cognitive health, check out these titles.

BOOKS
- When the Time Comes: Families with Aging Parents Share Their Struggles and Solutions, by Paula Span, Springboard Press, 2009.

FACT SHEETS AND PAPERS
This material should be regarded as general information on healthcare considerations and is not intended to provide specific healthcare advice. If you have questions regarding your particular healthcare situation, please contact your healthcare, legal or tax advisor.

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