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Assessing Financial Capacity Impairment in Older Adults

Healthcare providers can help patients and their caregivers preserve independence and prevent financial abuse in cognitively impaired elders.

Impairment of financial capacity can occur very early on in the course of Alzheimer's Disease (AD), putting vulnerable older adults at risk for financial abuse and fund mismanagement (Widera et al., 2011). Defined as “the capacity to manage money and financial assets in ways that meet a person's needs and which are consistent with his or her values and self-interest” (Marson, Hebert, and Solomon, 2012), these problems often occur at a time when encroaching deficits in financial skill are progressing undetected by patients, family members, and healthcare providers.

Impaired financial capacity is a symptom of cognitive impairment that requires attention and ongoing management by healthcare providers. Financial impairment may also be a sign of undiagnosed cognitive deficits, so assessing financial capacity is a valuable part of routine clinical assessments of older adults. Attention to patients' financial capacity allows clinicians to make recommendations and referrals and offer practical advice to at-risk individuals and their family members.

In this article, we describe the importance of assessing financial capacity in the clinical setting, barriers to such assessments, and a framework for assessing financial capacity with practical tips on how providers can help

patients and families once financial impairment is identified.

Assessing Financial Capacity

Financial capacity is central to an elderly person's independence and well-being (Widera et al., 2011). Therefore, although most healthcare providers have neither the time nor training to be financial capacity experts, they can play an important role in initially assessing the problem and helping with such impairments. For older individuals, losing the ability to take care of finances can be one of the earliest signs of a progressive cognitive disorder such as AD (Péres et al., 2008; Triebel et al., 2009). This is particularly true of impairments in performing complex financial tasks such as understanding financial concepts, bank statement management, and bill paying. As AD progresses, even simple financial skills (like counting currency) become impaired (Marson et al., 2000).

Practical barriers to assessing financial capacity

More people are living longer with more chronic medical conditions, and primary care physicians typically have about fifteen to twenty minutes for each patient visit. In that time they must review current symptoms and medications, perform a physical exam, and order and explain

diagnostic tests. Finding the time to address what are traditionally considered non-medical issues, such as financial capacity, can be daunting. But, especially in elders, non-medical difficulties can indicate serious medical problems, such as dementia (Pérès et al., 2008).

Specialists in older adult care are trained to work with multi-disciplinary team members to perform comprehensive assessments of their patients' physical and psychosocial functioning, including financial skills. But there is currently one geriatrician for every 2,620 American elders, and that number is expected to drop to one per 3,798 elders by 2030 (American Geriatrics Society, 2012).

Having trouble managing one's finances can be distressing for patients and families because losing these abilities heralds a loss of independence (Moye, 1996; Moberg and Rick, 2008). And, financial capacity impairment puts individuals at risk for mismanaging funds or financial abuse, which in turn lead to loss of funds and inability to pay for future out-of-pocket caregiving and other costs. Inability to manage finances has also been found to be one of the strongest predictors of perceived caregiver burden (Razani et al., 2007). It is often family members, rather than patients, who are the first to ask clinicians about their loved one's financial difficulties.

Healthcare providers need to be familiar with assessing financial capacity and with

potential solutions. In the following vignettes, we describe the steps healthcare providers can take to help patients and their families who are struggling with issues of financial capacity.

Vignette 1: advance planning for financial incapacity
A healthy 83-year-old man visits his primary care provider for his annual physical. He mentions that he would like to “get his affairs in order” after the recent loss of a friend.

Usually these sorts of comments refer to writing advance directives, wills, and making mortuary arrangements. Many healthcare providers routinely ask patients about advance directives for healthcare, including healthcare proxy forms and living wills. Healthcare proxy forms indicate who a person would like to make their medical decisions should they be incapable of making such decisions, and living wills specify the types of medical treatments a person would or would not want in different situations.

Financial capacity impairment puts elders at risk for mismanaging their funds or financial abuse.

Healthy older individuals, though, are not as likely to consider advance financial planning, let alone ask for help in preparing for possible future financial support needs. Education about advance financial planning should be provided at the same time as more routine discussions of advance healthcare plans.

Be on the Alert:

Five Things that Can Influence Possible Financial Impairment in Older Adults

1. A diagnosis of disease that causes cognitive impairment (i.e., mild cognitive impairment, dementia, or stroke)
2. Impairments that arise during a screening test for cognitive impairment
3. Changes in behavior or appearance
4. Recent loss of a long-term partner
5. Direct reports from patients, family members, or caregivers about an older person's difficulty with financial tasks, financial mismanagement, or financial abuse

Specifically, healthcare providers should educate older adult patients and their families about the need for advance financial planning as a way to prevent problems if cognitive impairment develops. This should include a recommendation to execute a durable power of attorney for financial matters (DPOAF). A DPOAF identifies an individual or entity, such as a family member, that is trusted to make designated financial decisions on the patient's behalf. The DPOAF can take effect immediately or only after the patient has been deemed to lack capacity. It may grant global financial authority or restrict authority to

only certain transactions. Patients with financial means may want to seek an

attorney's assistance with advance financial planning. For those who cannot afford such legal support, the Alzheimer's Association and other local community organizations offer subsidized legal assistance. If a person chooses to execute a DPOAF without an attorney's assistance, the forms are readily available free of charge, usually on state bar association websites (see Table 1 on page 62).

Vignette 2, part 1: signs of impaired financial capacity

A 77-year-old woman with several chronic medical conditions comes with her daughter to visit her primary care provider. The daughter has not attended medical appointments with her mother in the past. The patient looks anxious and appears to have lost weight since the last visit. The patient's daughter reports that her mother has "not been the same" since her husband died five months ago. The daughter reports that she has had to remind her mother to pay the bills each month. She is worried about how her mother will fare when she goes out of town for work next month.

Providers should be aware of changes in their patients that may signal possible financial impairment (see sidebar on page 60). The most

obvious signs include medical problems that cause cognitive impairment, reports from family members or caregivers about the patient's difficulty managing finances, or patient-reported concerns. Medical diagnoses include mild cognitive impairment (MCI), dementia, or stroke. More subtle signs that might prompt a provider to ask how a patient is managing his money include multiple recent hospitalizations, changes in social circumstances (including loss of a partner), or changes in appearance or hygiene.

This patient has worrisome signs of cognitive impairment: she is more forgetful, and

In a study of spouses of people with dementia, nearly half expressed a need for information about managing finances.

seems less able to handle finances and take care of her everyday needs. Because her daughter is reporting these changes, the patient herself may be unaware of them or unwilling to admit to them. Asking a patient about his or her memory and cognitive functioning can be difficult: providers frequently encounter resistance. The fear of losing independence, which most people associate with declining cognition, must be addressed. A simple statement such as "I know this can be hard to talk about but..." prior to beginning the assessment can help patients feel more supported and more inclined to participate.

Although there currently is no validated brief screening test for financial capacity, there are tools that can help providers identify problems in routine clinical practice. The Montreal Cognitive Assessment (MOCA) is a validated screening tool for detecting cognitive impairment even at very early stages of the disease, and is free for anyone to use (www.mocatest.org). The Folstein Mini-Mental Status Examination (MMSE) is a cognitive screening test that was frequently used by healthcare providers in the past. The MMSE is not used as often now because it is no longer freely available and may

Table 1. Web Resources for Healthcare Providers

Resource	Website	Description
Alzheimer's Association	www.alz.org	Provides general resources for patients and their families, including a 24-hour helpline.
Eldercare Locator	www.eldercare.gov	Connects older adults and their caregivers with state and local agencies focused on supporting elders.
American Bar Association Commission on Law and Aging	www.abanet.org/aging	Lists statewide resources to help older adults with legal issues.
Legal Services Corporation	www.lsc.gov	Lists sources of high-quality civil legal assistance to low-income U.S. residents.
National Academy of Elder Law Attorneys	www.naela.org	Provides a searchable directory of elder law attorneys.
American Association of Retired Persons (AARP) Money Management Program	www.aarpmmp.org	Provides a network of money management programs available for elders.
BenefitsCheckUp (a free service from the National Council on Aging)	www.benefitscheckup.org	Helps to identify benefits programs for older adults with limited income.
National Committee for the Prevention of Elder Abuse	www.preventelderabuse.org	Provides general information related to elder abuse, and lists community resources.
The National Center on Elder Abuse	www.ncea.aoa.gov	Provides contact information for reporting suspected elder abuse for each state.

not be as reliable in detecting mild forms of cognitive impairment (Newman and Feldman, 2011). None of these cognitive tests were designed to specifically assess financial impairment (Gutheil and Appelbaum, 2000). Still, they are useful in evaluating financial capacity as an indicator of cognitive impairment and the need for further assessment.

When there is suspicion of financial impairment, providers may want to ask patients and caregivers specific questions to identify areas of impairment. These questions can and should be brief, given the limited amount of time providers have with each patient. Providers may need to ask patients and families the same questions on different occasions because patients may be unable to answer questions accurately and caregiver reports can vary (Wadley, Harrell, and Marson, 2003). Providers can start with a simple

inquiry about whether or not the patient has help with managing money and who provides that help. They can then ask about any recent changes or problems with managing finances. More specific follow-up questions can address individual problems, such as missed or late bill payments, bounced checks, or scams. Corroboration of a patient's answers with a family member or caregiver is helpful. The information gathered in just a few minutes of discussion can often be enough to identify financial impairment and prompt the provider to provide education and make referrals.

Vignette 2, part 2: education about financial issues
The patient scores 23 out of 30 on the MOCA test, indicating some cognitive impairment. Further discussion reveals that she forgot to pay some of her bills in the first months after her husband's

death. Her daughter now reminds her to pay the bills each month. Last month, the daughter had to help her record the payments in her checkbook. The patient has not bounced any checks.

This patient has evidence of mild cognitive impairment as reflected by her score on the MOCA. In this situation, a discussion about possible dementia and its course, including eventual loss of financial capacity, is in order. Family members and caregivers are usually eager to have this information. In a study of spouses of people with dementia, nearly half expressed a need for information about managing finances, and preferred these discussions occur very soon after or at the time of diagnosis (Raivio et al., 2008). In a similar study, the vast majority of caregivers wanted to know about financial issues, and most wanted to know at diagnosis (Wald et al., 2003). In this situation, clinicians can educate patients and families about warning signs of declining financial capacity and offer practical advice to help patients remain independent, such as use of a daily money management program. In Vignette 2, for example, the physician can suggest the patient's daughter set up online banking for her mother so she can easily monitor her mother's bill payments.

Vignette 3: consultation

An 84-year-old man, accompanied by his son, visits his primary care provider. The son says that since his father has missed making payments on several phone bills, his phone service was disconnected, and he could not be reached for days. When his son discovered the lapsed payments, he offered to take over bill handling, but his father refused any help. The patient has a diagnosis of mild AD.

In this situation, the family report indicates that at the very least the patient needs help keeping up with bills. But the patient likely has trouble with other financial tasks, perhaps even with some basic activities of daily living. The

provider should probe further using the specific questions described on page 62.

In Vignette 3, the patient is clearly impaired but has no insight into his difficulties and is not accepting help. This scenario is not uncommon in AD. Referral for formal assessment of financial capacity can be extremely helpful in this situation (Widera et al., 2011). Other situations calling for formal assessment include family conflicts, suspicion of financial abuse, or when the

In most states, clinicians are mandated to report suspicion of elder abuse.

clinician is uncertain whether or not the patient is impaired enough to diagnose incapacity.

Psychologists who perform neuropsychological testing can evaluate patients for financial capacity. Neuropsychological testing also provides information about other cognitive domains and can help providers determine the diagnosis and needed level of care. Occupational therapists can also evaluate financial capacity when assessing instrumental activities of daily living, and they can make recommendations for supportive interventions to maintain independence. Providers can use these recommendations to guide patients and families.

A provider's opinion of a patient's financial capacity, while not a legal declaration, can influence decision making on the part of families, financial institutions, and legal professionals (American Bar Association Commission on Law and Aging and the American Psychological Association, 2008). A finding of financial incapacity may also have significant impact on the independence of the patient. Thus, providers may want to refer some patients to experts in financial capacity assessment before a determination of capacity is made. When a patient without an established DPOAF is felt to lack financial capacity, providers should pursue conservatorship. A conservator is a court-appointed person (a family member or, if there

is no family, a public guardian) who manages the patient's finances with his or her best interests in mind. The process can be lengthy, but can protect patients from financial mismanagement and abuse.

Vignette 4: suspected financial abuse


An 82-year-old man with moderate AD comes to see his longtime personal physician. A young woman, who the physician's office staff has never met, accompanies the man. He introduces her as his friend; she says she is his new caregiver. He uses a credit card to pay his co-pay and the card is declined.

Healthcare providers are obligated, both professionally and very often legally, to address suspicion of elder abuse (Aravanis et al., 1993). Several red flags should alert providers to the possibility of financial abuse. These include a patient's self-reporting of the following occurrences: an inability to afford basic necessities that they could previously afford; reports of new relationships with people who may or may not accompany them to appointments; and reports that other people are taking money or mismanaging assets. To better assess suspicions of abuse, providers should attempt to interview the patient and the caregiver separately. They can also attempt to find collateral history by contacting family members, with permission from the patient.

In most states, clinicians are mandated to report suspicion of elder abuse (Jogerst et al., 2003). Adult Protective Services agencies are available in most states to follow up in the patient's home when they receive reports of suspected elder abuse. Each state has its own process for reporting abuse and for initiating protective actions. For contact information and

state-specific laws, check the National Center on Elder Abuse website (www.ncea.aoa.gov).

Conclusion

Healthcare providers will be caring for increasing numbers of older adults in the coming years. Likewise, the number of people with cognitive impairment will increase. Prompt recognition of cognitive impairment allows providers time to help patients and families prepare for future difficulties, including impairment of financial capacity. Families and caregivers should advocate for appropriate assessment when they have concerns about cognitive and financial impairment in their loved one. When cognitive impairment is present, impairment of financial capacity is also likely to be present. Healthcare providers are often well-positioned to initially evaluate financial capacity and recommend advance financial planning. By responding to situations of possible impaired financial capacity, clinicians can help vulnerable patients and families avert economic, psychological, and legal problems related to their finances. 

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