benefit fringe

durable powers of attorney

Research shows that older adults may begin having problems with making financial decisions long before being diagnosed with a condition—like dementia—known to hinder those abilities.

That's why many retirement experts advocate for selecting a durable power of attorney *before* one is needed. "Even cognitively healthy older adults may show declines in their financial decision-making abilities," said Marti Delinea, Ph.D., of the University of Minnesota School of Social Work, in a prepared statement.

The University of Minnesota and Stanford Center on Longevity (SCL) recently released the *Thinking Ahead Roadmap,* a tool kit funded by AARP that guides people in selecting someone they trust to manage their money if financial decisions become too difficult.

In a press release announcing the kit, the centers pointed out that 39% of people age 60 and over in the United States have a durable power of attorney. "Without this important document, trusted caregivers won't be able to access the older person's funds to pay for basic needs like food, prescriptions and housing," said co-author Naomi Karp of SCL.

The tool kit is available online and in print. It provides tips on picking a trusted financial advocate, having an open conversation about finances and overcoming common issues like resistance from adult children. The website also features a financial inventory that people can customize with their own information.

Researchers said employers and plan sponsors can play a role in this issue. To begin with, employers can raise awareness of the threat of financial losses caused by diminished capacity through their financial wellness programs, said Steve Vernon, FSA, MAAA, a consultant to SCL. Financial wellness programs also can promote tools like the *Thinking Ahead Roadmap.*

In addition, plan sponsors can implement plan design strategies that may help. That includes offering retirement income options such as annuities or systematic withdrawal plans that lock in a retirement income strategy, decreasing the likelihood of it being changed. Defined contribution (DC) plans like 401(k) plans could also offer an "account lockdown" where no changes in withdrawals or investments are allowed unless the participant satisfies additional security measures.

Many financial institutions now offer the ability to identify an alternative contact who is preapproved to receive alerts in case the financial institution suspects the participant is vulnerable. Plan sponsors could request that their plan recordkeeper set up such an arrangement.

Vernon said the final step in the process is figuring out when to transition financial decision-making responsibilities to the advocate. "Talking about the warning signs in advance, around retirement age, gives the older adult more control over how the process unfolds," he said in a prepared statement.

To access the tool, visit https://thinkingaheadroadmap.org.

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