Article from

Pension Section News

February 2017
Issue 91

Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience

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INTRODUCTION

The SOA Committee on Post-Retirement Needs and Risks (CPRNR) has been exploring issues related to the population age 85 and over. This group is not represented in the regular post-retirement risk surveys or in the focus groups previously conducted by the Society of Actuaries. The prior focus group work with retirees who had been retired for 15 years or more indicated that retirees often did not plan for risk management, but rather they dealt with events as they happened. The focus group members were generally younger than age 85 and they were generally able to adjust to many of the situations they experienced. One of the big questions the committee had after that work was what would happen to people as they reached ages over age 85? Would things fall apart?

A lot is happening with the over age 85 population, and we can view our knowledge of it to be like a mosaic. It is a difficult population to reach by traditional research methods. Part of the mosaic can be filled in from existing SOA and other research. This article is an attempt to add some pieces to the mosaic. We decided to pool personal experience and see what we might learn in dealing with issues of the very old. Sally Haas had two parents in their 90s in assisted living, and she collected information through a few interviews. Anna had previously written up some case studies including some that progressed through various stages. Dick Schreitmueller, another member of the CPRNR, also did a few interviews. Dick's sample consisted of a few people he knew who were independent and in their 80s. Anna looked at some literature and also collected information from a discussion of the CPRNR and a number of contacts. Both of us and a number of people in the CPRNR had observations about financial management and challenges. All of these pieces add to the mosaic, and hopefully encourage others to fill in more pieces.

We were also aware from our pooled knowledge that the family members and others who are offering help with the management of financial affairs can easily run into challenges and disagreements. This article includes the two sets of interview data and selected comments from the online discussion. We provide some added information about the challenges and some recommendations in a separate essay being submitted to the Financial Wellness Call for Essays.

Our key observations are as follows:

- There do not appear to be any specific changes related directly to age. People appear to change at different times. However, many more people need help at older ages.
- People who are living independently and do not have significant cognitive difficulty do not appear to change the way they manage their money.
- Health is the "elephant in the room." Changes in health status often lead to declines in capability and the need for more help. They can easily dominate the situation, especially when they occur suddenly and unexpectedly.
- For some families, long-term care and health costs are a huge issue. Insurance generally does not pay for dental care and hearing aids. Health coverage usually does not pay for much long-term care and the cost of long-term care can be devastating. Some situations include other uncovered expenses.
- Once there is cognitive decline, everything changes.
- Many elderly persons have hearing difficulties. Hearing difficulties create a variety of other problems. About 2 percent of adults age ages 45–54 have disabling hearing loss, compared to 8.5 percent for adults age 55–64, 25 percent at ages 65–74 and 50 percent at age 75 and over.[1]
- The money management help that people need includes help with daily tasks like bill paying, as well as advice in making decisions and managing investments. Help with daily money management is different from the services generally provided by financial advisors. Even if not disabled, this population also often needs help with making doctor's appointments, visiting doctors, running errands, performing some household tasks, etc.
- There are professionals who specialize in daily money management and bill paying. Some of them specialize in working with elders.
- People who are in assisted living very often get help with money management. The most common sources of help are

children or other family members. Family members are not necessarily well qualified to help (some may not be competent and some may not be honest).

- Couples often have a partner to help a partner in need, although in some couples both need help. Single individuals are in a very different situation than couples. It should also be noted that in some couples one person does most of the money management, and the spouse may not be much backup.
- Families are often in the role of helpers and appear to be used more often than financial advisors.
- But family help is not available to substantial numbers of people—some people have no children, some children live far away or are not willing or qualified to help their parents. People without children may not have other family members positioned to help either. Where there are no available family members, it may be difficult to find a suitable person to help. There are services or individuals who can be engaged to do so. Churches and community groups such as villages can also be a source of help.
- It is up to the individual to designate which family members or others they want to help. Powers of attorney, if executed, transfer authority to the designated persons to take over when the individual is unable to continue. Caution is needed as they can also be abused.

Health is the "elephant in the room." Changes in health status often lead to declines in capability and the need for more help.

- If no one is designated—and help is badly needed—then the courts may get involved.
- Financial advisors who helped at an earlier age are often but not always continued. In some families the same advisors work with multiple generations. Where adult children do not work with the same advisors as their parents, the children may try to make a change.
- Over solicitation by charities is a common problem and it can easily be a form of abuse.
- This group is often targeted by fraudsters.
- Some older persons are approached by family members and others for gifts. Handling of gifts can be a thorny issue, particularly for family members who are helping their older relatives.
- Where there are multiple children or family members, there is the potential for conflict and resentment with regard to managing the finances of older family members.
- Properly executed legal documents are part of the story leading to a good support system. But they are often not enough.

DETAILS OF INTERVIEWS CONDUCTED BY SALLY HASS

In August of 2016, I collected survey responses on post-retirement financial risks for individuals over the age of 85. I utilized the survey developed by Dick Schreitmueller. The following are my survey results, notes and thoughts.

There were 17 participants between the ages of 85 and 97—12 were in an assisted living facility, the remaining five were living independently. There were 13 women and four men. Out of the 17, only one had never married. There were two married couples the rest were widowers. All were Caucasians. In most cases, I interviewed them directly but in a few cases I interviewed their adult children.

1. **Do you have a spouse or a partner?** Four said yes.
2. **How is your general health?** The majority answered "good." Only one answered "poor." The majority used a walker or cane. Many seemed hard of hearing and some had vision issues. *(Note that in at least some cases, poor mobility or hearing did not cause people to say they were in poor health.)*
3. **Do you get more than one pension not counting Social Security?** 15 answered "yes."
4. **Do you have substantial savings that can provide retirement income?** 15 said "yes."
5. **Do you have a financial advisor or helper? Is this a relative or friend?** Only one in this group utilized a financial advisor, but several had done so at younger ages. Only one reported managing their finances independently. The rest utilized help from family. *(Note that the reason that some had discontinued the use of a financial advisor is probably worth more research and explanation.)*
6. **Who usually pays the bills?** Three reported that they paid all their own bills. 14 reported that relatives paid the bills.
7. **Who usually participates in financial decisions such as investments, vacations, donations?** Three reported they make the decisions without help. 14 relied on children.

8. **Who usually decides how to invest savings?** Only one utilized a professional advisor. Two reported that they made the decisions independently and the rest relied on children.

9. **Have you ever thought of buying an annuity?** If so, who would help you decide what to do? Several did not know what an annuity was. They had not thought about buying one and made it clear that they did not want to buy one now or in the future.

In addition to the direct interview questions, Sally made several significant observations:

- Only two in this group used computers to pay bills (some had used them at younger ages)
- They were fearful of frauds and scams
- A few had suffered losses due to fraud and scams
- Several had been in the assisted living facility for more than five years. A route for people who had been in assisted living more than 10 years was entry when one member of the couple needed help. The person needing help died after two or three years, and the surviving spouse stayed after their death. The surviving spouse has given up their prior residence and community and was linked to the assisted living.

LINKING THE INTERVIEWS TO EXPENSE INFORMATION

EBRI research provides insight into how expenses change after age 65:

- Household spending drops after retirement by age within retired cohorts.
- Housing is the largest area of expenditure by far.
- Health care is the one area of spending that does not decrease by age: mean spending increases both as a dollar amount and a percentage of total. Recurring health care costs, doctor and dentist visits and prescription drugs, remain stable throughout retirement. Nonrecurring health services, nursing home stays, home health care usage and overnight hospital stays, increase with age and are much higher in the period before death. The percentage of total spending devoted to health care increases by age group.[2]
- Not surprisingly, spending on transportation, entertainment and clothing decreases more rapidly by age group than housing and food expenses.
- Some categories show a lot more variability than others.

Table 1
Mean and Median Household Spending in 2011 Adjusted to 2013$ by Age Group

	Age 65–74		Age 75–84		Age 85+	
	Mean	Median	Mean	Median	Mean	Median
Home	$18,720	$12,642	$14,732	$10,805	$13,111	$8,781
Food	4,526	3,982	3,994	3,228	2,520	2,152
Health	4,383	3,104	4,624	3,109	6,603	2,814
Transportation	5,169	4,025	3,666	2,794	1,972	1,241
Clothing	1,311	724	950	569	888	434
Entertainment	4,300	2,380	3,277	1,655	1,609	714
Other	3,583	1,148	3,565	1,034	3,188	734
Total	$42, 805	$34,036	$35,315	$29,884	$30,610	$22,263

Source: Figure 2 from EBRI Notes, Sept. 2014 – How Does Household Expenditure Change with Age for Older Americans?

ISSUES FOR FURTHER RESEARCH AND RELATED OBSERVATIONS:

To what extent should age 85+ be explicitly considered in planning? How should health issues enter the planning?

Some of the interesting questions that these interviews raise are: How long are people likely to be at the stage that they need help? How much help will they need? Can it provided by family and friends?

Why had several in this group utilized financial advisors at younger ages but they are not doing so now?

Another area for research is how well families are able to provide the support needed, and what goes wrong with family help. *Note that the vast majority in this group were relying on family for help in paying the bills and with managing their finances.*

Another area for research is understanding lengths of stay in assisted living and other housing/care options. The data on average length of stay in an assisted living is 22 months, but if a couple takes up residence, the length of time in the facility for the surviving spouse could be significant—especially so if the reason for the move was due to a decline in health for one member of the couple and there was an age difference between the two. This is further compounded by the gender difference in life span. Two of the people interviewed had lengths of stay of 10 years or more.

How much time people can expect to spend as an "old-old" person and with limitations? Is it getting longer? Do we need to encourage people to set aside more money to cover these costs?
Is family support and assistance for parents being considered adequately in retirement planning?

What are the options for individuals who do not have children or other family members available to help?

How should the potential for cognitive decline be taken into account in planning?

How does Medicaid fit in?

SOME QUOTES FROM THE ONLINE CONVERSATION

The CPRNR had an online conversation based on both their personal and professional experience. All of the participants have some experience as retirement professionals, but in very different roles. Here are some key quotes and comments about them.

Thinking about late in life: "*'Late in life' is more defined by activity, physical and mental health than by age.*" This is confirmed by the interviews that Dick Schreitmueller did and the comments of several others.

The importance and role of family: The interviews and online discussion showed a major role for family.

"I believe that most seniors are more trusting of family members and family friends than they are of professionals, even though sometimes they should not be. Spend a little time in any nursing home, particularly those that have primarily Medicaid patients, and the horror stories abound."

"Any senior who has any health issue or loses mental capacity, needs an advocate who will act in her best interest. This is going to be a very serious problem as boomers continue to age, particularly since we've had fewer children."

Help from children does not always produce a good result. Advisors see children as being helpful or not, depending on the situation. "*It's hard to see adult children have a sense of entitlement to their parent's wealth—or maybe it is just the lack of a fiduciary perspective. Is this new in this generation? Can we normalize treating your parents' finances as if you were a fiduciary?*"

Children who are trying to do their best may not be well qualified. *"Sometimes children who have been named as financial agent for their parents think they have to do everything themselves because "Mom appointed me." In reality, delegating duties, especially for which the child has no familiarity/training can be a better way to go, especially when caring for one's parents disrupts one's own personal and professional life. Children sometimes don't know to delegate because that is not a part of their lives."*

"Sometimes, and I find this odd but common, children strive to carry on their impression of their parent's lifetime frugality and won't spend money on things/assistance that would help their parents. Often this notion of frugality seems to be based on their memory of their parents radiating 'don't waste money' when in reality the parents had a very sensible notion of when to spend and when to save. I have personally spent time advising children of clients with multi-million (dollar) portfolios that they don't need to skimp, for example on an extra duty nurse on Sundays or to limit the choice of retirement facilities to those with daily fees within the long-term care daily maximum benefit."

Sources of specialized help: Money management includes daily tasks such as paying bills and balancing checkbooks, as well as tasks like managing investments and making significant decisions. It is critical that someone can do the daily tasks, and family members often help when help is needed. There are also specialized services to help.

"There is a long-standing, and I believe reputable, organization in the American Association of Daily Money Managers, (http://aadmm.com/)—some of whom have completed, (along with numerous financial advisors, attorneys, etc.) the course for the Registered Financial Gerontologist (RFG) certification from the American Institute of Financial Gerontology (AIFG) currently housed at the University of North Carolina- Greensboro (www.aifg.org)."

"There are more people than before who don't have kids to help them and that is a big issue. In such instances, we work with a trust company, such as Fiduciary Partners in Wisconsin, who specialize in helping people with daily financial life as a separate product line from investment management.

To my surprise, we are also promoting such institutional relationships for clients who do have children. We have seen too many times that the wrong child steps up or that kids don't understand the fiduciary relationship."

Comments from advisors: *"In the vast majority of cases where our very elderly clients need help with their financial planning, the children are also clients and will ask us for assistance in deciding how best to help their parents make good financial decisions."*

"However we do have the occasional client, I'm thinking of one in particular, where the children are not clients and are virtually unknown to us. In the case I'm thinking of one of the children has convinced the client to remove about one third of their assets from management and invest in a real estate venture. This might be a perfectly legitimate investment but we were not asked to vet the project (we offered) and were unsure of the risks involved. Since the client is competent there is no reason to question this decision other than the possibility that the client is reluctant to refuse a request by the child. That same client has repeatedly refused the request of their children to remove their assets from our management."

Comments about advisors: There is a wide variety of advice and experiences. This comment provides a "mixed experience" and raises some red flags. This comment reminds us of the importance of understanding the relationship to the advisor and how incentives align between the advisor and client.

"In terms of financial advice, my 89 year old grandmother has been guided by a planner at her bank. This has provided a great deal of emotional comfort to be able to receive guidance from the same institution from which she has been banking for decades. The flip side to this though is I don't know that the advice is particularly suitable. The products sold are high fee and the features imbedded in them are of little value to her. Additionally, extra work and expense was put in establishing a trust, but she doesn't have much wealth so the benefits of a trust are likely de minimus and the complexity is high. So even though she has advice and is happy with it, I think the misincentives still lead to suboptimal outcomes. She has a strong degree of independence though, so all this decision making has been done outside of family support"

> Comment from Sally: I spent 30 years as a retirement and life planning educator. I think the role of family support of elderly loved ones needs far more attention as adult children make their own plans for retirement. As a result of these interviews with the 85+ group as well as two interviews with directors of assisted living facilities, I am wondering whether the time spent as an old person (over 85) is often expanding or elongating. Since costs during these years are likely to be higher this could pose a significant risk.

Abuses, gifts, cognitive decline and personal experience: The dialogue included repeated stories about things going wrong with ideas about how to make them right. Over solicitation by charities has been cited as a problem by several people. Adult Protective Services agencies offer help to seniors where financial exploitation is an issue. Loneliness and cognitive decline increase the vulnerability of seniors to financial exploitation. One of the big challenges of care-giving adults is knowing what to do about gifts.

"I can help manage the finances, but they need a lot of help. My Dad started making mistakes on the taxes a few years ago and they keep getting big bills from the IRS to collect back taxes and penalties. My Mom, a smart woman, has no idea how to handle the investments. They NEED an advisor now, but didn't when my Dad was fully with it."

"My Dad was a very successful educated businessman—yet in the end (he lived to 91 yrs)—it was tough protecting him from folks wanting to issue him credit cards which we kept taking away because he got into a habit (some of you may laugh, go ahead he wouldn't mind) of calling Lands End and buying extravagant gift cards for different family members he suddenly had an inkling to give a gift to—his teenage grandchildren had no interest in Lands End but started getting $1000 gift cards. It was something he just got enamored with and forgot right after he did it that he did it so each time felt like a new idea to him."

"Over solicitation by charities are a real problem, along with book clubs, shopping services and various political organizations. Unfortunately, my sister burned through her entire life savings in about 18 months to a combination of these. As she kept withdrawing funds from her IRA, her advisor (a bank broker) was concerned and reported it to the appropriate state agencies, his manager and compliance department as

required by brokerage rules. The state never did anything. Unfortunately, banks don't operate under as strict standards. She also burned through her savings account and regularly overdrew her checking account. The bank was happy to continue to honor checks even when there was insufficient funds since they knew she would have Social Security deposited shortly and they were collecting hefty fees. My sister did not live nearby and was very skilled at hiding all this from the family, most likely out of embarrassment. I only discovered it when she had to go to a nursing home and I took over her finances. In settling her estate, I wound up settling with the bank for a refund of about half of the overdraft fees, which was still nearly $2,000."

"*The only personal experience I have is with my mother who died in 2014. She was living on my father's Air Force pension and Social Security and although she was not poor, she was supporting my sister and had little disposable income. I took over her finances in about 2010 and discovered that she had about $500 per year in charitable donations—almost all of which came from telephone solicitation. When I asked her why she responded to these calls she indicated that the people seemed so nice and she didn't know how to say no. I told her that in future she should ask them to send information about their cause and that her financial planner would review them and consider donating. We never got anything in the mail and they stopped calling.*"

Recognizing cognitive decline from a professional perspective: "*One of the more cruel aspects of cognitive decline is that the person to whom it is happening is unaware and so does not know to ask for help. Plus the initial stages are not visible even to those close to the situation (because of lack of training/awareness on their part and/or lack of access e.g., to finances where cognitive decline often shows up first).*" Some of the discussion of this topic also indicates that people try to hide decline.

Here is personal perspective on the same issue, but from a highly skilled professional: "*In my own life, I found that my father had inadvertently set up a signal for me to know when to take over and that signal was helpful to me: When visiting my parents from out of town many years later in their CCRC I noticed after dinner at a restaurant that my retired Latin teacher mother leaned over to help my tax attorney father compute the tip. Ouch.*

> Comment from Anna regarding lifetime income: Sally reported that in the interviews she got a negative reaction to the question about annuities. I observe that nearly all of the people interviewed had pension income in addition to Social Security. Overall this group has much more guaranteed lifetime income than the population at large, and very likely, less need for annuities that offer additional guaranteed lifetime income. However, SOA research has shown that many people are not considering their need for guaranteed income when planning.

(My father was a retired tax attorney/benefit consultant and sent his children a memo each year from the time we entered college that included an updated balance sheet and some other summary personal financial information. We all ignored those memos although admired him for his diligence!)

At that dinner, I looked at the two of them and suddenly realized: I did not get his memo this year. That gave me permission to step in and offer help to my mother with their daily finances, to which she readily and with relief agreed. Kids need a signal, and they need permission to move in and help." Often people who are not in day to day contact with others are more able to see change, and recognize that something is happening. Those people who are in day to day contact experience change gradually. It should also be noted that when people are in denial, their spouses may support that point of view.

Other signals that help is needed may be unpaid bills or changing handwriting.

SUMMARY OF INTERVIEWS CONDUCTED BY DICK SCHREITMUELLER

Dick Schreitmueller conducted interviews with a few people who were living independently at ages over age 85. Generally this group was more affluent than the group included in the 2015 Society of Actuaries' focus groups conducted with people who were retired for 15 years or more and who were resource constrained. The focus groups did not generally include people in these age ranges, so this information extends what was learned in the focus groups. These interviews totally confirm the online discussion quote: "'Late in life' is more defined by activity, physical and mental health than by age." These interviews can be seen as reflecting the situation before there is a substantial decline, whereas the interviews by Sally Hass can be seen as seen as reflecting a later stage and more need for help.

CONCLUSIONS

The over 85 population includes people in a wide variety of different situations, and with a wide variety of resources. Health issues are a challenge for many. Mobility and concern about falls is a major issue. Some of those who are living independently and have not been faced with cognitive decline are able to continue managing their money as they did previously. Based on input from a few situations, some households are doing that. Those faced with cognitive decline may recognize it or not, and they are subject to a variety of problems if they do not recognize the decline. They are particularly vulnerable to over solicitation by charities, fraud, and pressure for gifts. Health care costs are often higher than at younger ages, while less may be spent for transportation, food and entertainment. The period of transition from being able to manage day-to-day to not being able to manage may be particularly difficult. Based on a few interviews of people in assisted living, it is common for them to have help with daily financial management from family members. It is also common for people in assisted living to use walkers and

Table 2
Over age 85 money management: Data from five personal interviews
People with good financial resources living independently

Interview questions	Male #1 Age 85		Male #2 Age 87		Male #3 Age 88		Male #4 Age 87		Female #1 Age 85	
	Your situation now?	Changes since you were 65?	Your situation now?	Changes since you were 65?	Your situation now?	Changes since you were 65?	Your situation now?	Changes since you were 65?	Your situation now?	Changes since you were 65?
1. Do you have a spouse or partner?	No, I'm a widower	My wife died 10 years ago	No, I'm a widower	My wife died 7 years ago	Yes, married	No change	No, I'm a widower	My wife died 5 years ago	No, I'm a widow	My husband died in February
2. How are your general health & mobility?	About 95%	Balance issues, lost upper body strength	Good but I've had a few falls	Must walk slower	Good but have balance issues	Slowing down	Good, but walking is unsteady & knees arthritic	Slowing down	OK but I've had vertigo & some falls	Problems with balance & vision
3. Do you get one or more monthly pensions, not counting Social Security?	Yes	No change	Yes	No change	Yes	No change	Yes	No change	Yes	Widow's pension began
4. Do you have substantial savings that could provide retirement income?	No	Savings are reduced	Yes	No change	Yes	Savings grew	Yes	Savings grew	Yes	No change
5. Do you have a financial advisor or helper? Is this a relative, friend, professional?	No	No change	No	No change	No	No change	Yes, a profes-sional but I rarely use him	My wife used to join in. I'm now more confident	3 people: a banker (my son), stock broker & lawyer	Yes, my husband handled finances
6. Who usually pays the bills for your household?	Me	No change	I do	My spouse used to partici-pate	I do	No change	Me	No change	I do.	No change
7. Who usually participates in financial decisions like investments & donations?	Me	Was a joint effort with spouse	I do	My spouse used to partici-pate	Me & my spouse	No change	Me	My spouse used to partici-pate	Broker suggests invest-ments	No change
8. Who usually decides how to invest your savings and use them for income?	Me	No change	I do	No change	Me & my spouse	No change	Me	My spouse used to partici-pate	I do, with help from the broker	My spouse used to do this
9. If you ever thought of buying an annuity, who would help you decide?	Me	No change	I wouldn't need help	No change	Inde-pendent annuity advisor	No change	Me, don't want one	No change.	Stock broker	No change

wheelchairs. For people whose income comes primarily from Social Security and pensions, there are different challenges than for those people who have significant assets to manage. The issues are also different if their income is more or less than adequate to cover regular expenses. In either case, there are spending decisions to be made, but they can be easier or more difficult. There are also challenges to the family members who are offering help.

We can think about life after age 85 as being like life at a high altitude on top of a mountain. To do well at the high altitude, we need to prepare for different and more difficult circumstances. Life past age 85+ is somewhat like that. This is new territory for each family as a member first reaches those ages. For our society, it is a new reality to have so many people in this territory so it is important to develop both individual and public policy strategies to help families deal with it successfully. ■

Thank you to the members of the CPRNR who contributed to the online discussion and to Dick Schreitmueller for the in person interviews. Particular thanks to Paula Hogan who made extensive contributions to the online discussion.

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ENDNOTES

1 Quick Statistics about Hearing, NIH/National Institute on Deafness and other Communication Disorders, downloaded, September 2016.

2 See EBRI Issue Brief No. 411, Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees