

Thinking about incapacity and financial planning

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As we all gracefully age together, we do see some individuals aging better than others. One of

the unfortunate ways we see the aging process involves incapacity. This may be a physical issue but is more often intellectual deterioration on a spectrum from memory loss to profound dementia.

In most cases, mental incapacity strikes randomly and advances with age. It can be perceived as an issue by the victim, but in many cases, we see an unawareness of deterioration in those suffering from the disease. Certainly, loved ones around the patient see the problem and must deal with it. If you have not considered this issue for yourself and other loved ones, consider this article a wake up call.

We recently discussed the issues for a single individual who was slowly becoming impaired mentally. There were no close relatives or other trusted individuals who could step in and help. The planning process was intense and complicated-both legally and emotionally for the individual. Who would have authority to sign legal documents? Who would manage the person's life savings? Who would write checks? Who would make decisions on where to live, and to many issues dealing with health care (including heroic life support)? Preparation for the possibility of impairment in earlier years would have made a tremendous difference (he was not a client earlier).

Even when there are family members (including a spouse) to help, dealing with mental incapacity is fraught with dangers. If the declining person was the "money manager" for the marriage, the disease may lead to losing life savings through fraud or simple errors. Who takes care of the surviving spouse in the future? We see many families entering retirement without having considered who has the authority and ability to manage assets and health care decisions. We see preparations going undone regarding how money passes to future generations in an equitable and tax efficient manner. We see retirement assets being exposed to criminals and creditors. We see a plethora of investment mistakes that impair a financial future.

If you are already dealing with issues of incapacity for yourself, a family member, or even a close friend-know that there are many resources to help. There are financial planners, elder care attorneys, and different agencies (both private and governmental) that can help a great deal.

If you are entering retirement and have not considered how your savings will be managed, who will be able to sign documents for you, and how you and loved ones will be cared for if you can't do it-get working on these issues. If you have parents or other relatives that you are close to who have not made these preparations, then you will save a great deal of work and heartache in urging them to consider these issues.

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