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Testimony to ERISA Advisory Council
Diminished Capacity and Retirement Planning

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I am Anna Rappaport. I am an actuary and phased retiree. I retired from Mercer at the end 2004 and founded Anna Rappaport Consulting in 2005. During my 28 years at Mercer, I served as a retirement consultant, and in the last few years at Mercer, I supported the U.S. retirement practice. I have previously served as President of the Society of Actuaries, and currently serve as chairperson of the Society of Actuaries Committee on Post-Retirement Needs and Risks and its Aging and Retirement Steering Committee. I also am on the Board of the Women's Institute for a Secure Retirement and the advisory board of the Pension Research Council. I served on the ERISA Advisory Council in 2010-2012. I have been actively involved in retirement planning topics, primarily within the Society of Actuaries efforts, but also in other efforts linked to improving retirement security. As a phased retiree, I am devoted to improving retirement security for Americans. I am particularly interested in issues involving women's retirement security.

In my testimony today, I will be presenting my personal views and not those of any organization. I will be drawing heavily on research published by the Society of Actuaries and things that I learned from my involvement in that research as an author and reviewer, from personal experiences, and in my participation in the broader retirement community.

By diminished capacity, I assume we are including cognitive decline, loss of hearing and sight, and loss of physical mobility including reduced ability to use limbs (arms, legs, hands, etc.). Diminished capacity may make it very difficult or impossible for people to use technology, talk on the phone or drive a vehicle. Depending on the type of event leading to diminished capacity, it may severely limit the ability of the person to make and/or implement decisions that are important. Various decisions are required at different times before and during retirement. People often experience diminished capacity gradually and need different types of help along the way. The Appendix to this testimony is an excerpted and edited down case study about diminished capacity from a paper I wrote.

There are two different audiences that employers deal with as a result of diminished capacity – the individuals whose capacity is diminished, and those who help them. The first set of individuals may be plan participants, either active employees or retirees. The second set are their caregivers and those who provide support. Many employees are providing support to aging parents, spouses or other family members.

Executive Summary

Diminished capacity comes in many different forms. Cognitive decline changes everything and makes support much more difficult. Ability to communicate and use technology are important factors in being able to interact with financial institutions and many employee benefit plans. Physical and mental changes help determine the need for various kinds of regular support.

The Society of Actuaries has sponsored and published a considerable amount of work on retirement and diminished capacity, including some on the implications of COVID-19. Responding to diminished capacity leads us to focus on planning, retirement management strategies, fraud, caregiving, and family issues. COVID-19 has increased caregiving complexity and created some new challenges for retirees and those who support them. It does not change diminished capacity or the way individuals have planned for retirement. The Society of Actuaries research includes pre-retirees and retirees, and includes studies focusing on the periods shortly after retirement, more than fifteen years after retirement and at age 85 and over.

The research tells us that the public has a general awareness of the potential for diminished capacity, but most likely without details as to what that will mean for them and their family. There are huge gaps in planning for diminished capacity which in turn creates gaps in retirement planning. Some people are unwilling to consider such planning or think about the possibility of diminished capacity. Relatively few people have made plans for who will help with managing finances when they need help. A majority of retirees over age 65 said their legal documents are in order in the 2019 Risk Survey, but many have not had a discussion with the individuals designated to help them.

Additional research findings relate to Medicare, long-term care, and family help.
There is a major misunderstanding of Medicare and support for long-term care. The public vastly overestimates how much long-term care will be paid for by Medicare. There is over-optimism about how the level of preparation for paying for long-term care will be accomplished. (There is over-optimism about other retirement planning issues as well.)
Family is a major source of help when it is needed, but there is little planning for family help. Providing help and caregiving can turn into a huge strain for family.

There are a number of strategies that can structure financial arrangements including benefits to make it easier to manage when people need help. There is a big opportunity for employers to use benefit plans to help people learn more about dealing with these issues. SOA research does not offer information on the prevalence of employer help.
For many Americans, employer-sponsored programs like financial wellness, retirement plan linked communications, and employee assistance programs are the only source of outside financial planning support information that they get. Individuals with higher income and/or assets are more likely to engage financial advisors. There is a lot of information available to the public, but it is challenging to separate the good from the bad and many people do not look for it.

Society of Actuaries research and publications

The Society of Actuaries has sponsored and published a considerable amount of work on retirement and diminished capacity, including some on the implications of COVID-19. Responding to diminished capacity leads us to focus on planning, retirement management strategies, fraud, caregiving, and family issues. COVID-19 has increased caregiving complexity and created some new challenges for retirees and those who support them. It does not change diminished capacity or the way individuals have planned for retirement.

The Society of Actuaries previously has published research with people age 85 and over, and sponsored various studies and solicited essays that included content on long-term care and caregiving. A majority of individuals over age 85 have some diminished capacity. The research on those age 85 and over includes six different parts and it is summarized in the report, Retirement Experiences of People Age 85 and Over.[1] One of the components of the age 85 and over work is a special report on cognitive decline. Cognitive decline changes everything and creates major complexity for caregivers. The report, A Conversation on Dementia and Cognitive Decline [2]offers insights about cognitive decline and dealing with it. Some key findings from these two reports will be discussed later in this testimony.

In 2014, the Society of Actuaries issued a call for papers on long-term care and retirement security. The papers published that year include a paper[3] that focuses on gradual changes in capability and the decision-making process, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned From Personal Experience.* There is a series of charts in this paper that traces the stages of capability, triggers for change and decisions made. An edited down version of the charts focusing on diminished capacity and surrounding text are shown as an Appendix attached to this testimony.

The Society of Actuaries has published reports on both retirement risks and on decisions that people need to make in retirement. The risks interact with retirement decisions. The Society of Actuaries research on retirement risks includes 10 biennial surveys (from 2001 to 2019) on the Risks and Process of Retirement, focus groups with retirees retired less than ten years, focus

[1] https://www.soa.org/globalassets/assets/files/resources/research-report/2019/retirement-experiences-people-over-85.pdf

[2] https://www.soa.org/resources/research-reports/2018/cognitive-conversation/

[3] Rappaport, Anna M. 2014. Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned From Personal Experience – paper which provides information about a variety of options for housing combined with care and how decisions were made in selecting care options. *https://www.soa.org/essays-monographs/managing-impact-ltc/mono- 2014-ltc-manage-rappaport.pdf.*

groups with retirees retired 15 years or more, and the research on individuals age 85 and over. Some key findings linked to diminished capacity from this research are shown below.

Some of the survey and focus group research focused on decision making and that research continues. The Society of Actuaries has also issued a series of decision briefs to help people nearing retirement or in retirement think about important decisions. Some of those decisions are challenging even without diminished capacity. One of the briefs is about what one needs to consider when choosing whether or not to take a lump sum distribution. This is an extremely important decision, and it is at a point where people are vulnerable to fraud. Focusing on how to help people with diminished capacity with this decision is very important.

The Society of Actuaries issued a call for essays on Retirement and COVID-19 and have published several essays. Some of them are related to these topics. The essays most linked to these topics are:
Will Retirement Change Due to COVID-19?[4] and Are CCRCs and Senior Housing Communities a Good Choice? COVID-19 and Risk in Arrangements for Senior Housing and Support[5]

The Society of Actuaries also published a series of reports on COVID-19 and retirement issues. Two of the reports, *Impact of COVID-19 on Senior Housing and Support Choices* and *Impact of COVID-19 on Family Dynamics in Retirement* are somewhat related to this topic. The SOA COVID-19 reports can be found at https://www.soa.org/resources/research-reports/2020/impact-coronavirus/

The Society of Actuaries has several related sponsored projects in process:

- The Stanford Center on Longevity and University of Minnesota are currently working with the Society of Actuaries and the AARP on the development and distribution of a Conversation Guide to help families have appropriate conversations about late-in-life financial management. The Society of Actuaries is a cosponsor of the underlying research needed to develop such a guide. The research included focus groups, in-depth interviews with experts, and other information gathering. The research report is expected to be released in the near future. [6]

- The Society of Actuaries is partnering with Financial Finesse on a resource guide about late-in-life decisions. These are decisions for people who are well into retirement, but who must decide how they will get needed support, what help they need, how they will perform daily money management, and manage their medical care. These are the issues that arise when people who think they have a good retirement plan in place find

[4] https://www.soa.org/globalassets/assets/files/resources/research-report/2020/covid-19-aging-essay-koco.pdf

[5] https://www.soa.org/globalassets/assets/files/resources/research-report/2020/covid-19-aging-essay-rappaport.pdf

[6] Steve Vernon, Marti DeLiema, and Naomi Karp who are senior team members in this project are also witnesses for the Council.

that when challenges arise, managing them may present unexpected difficulties. COVID-19 serves to complicate these decisions. This brief should be helpful to seniors and the people helping them and is expected to be available in 2021.

- The Society of Actuaries is partnering with LIMRA on a literature search on fraud, financial exploitation and how it relates to retirement plans.

Research findings and planning for diminished capacity

The Society of Actuaries has sponsored its Risks and Process of Retirement Survey (Risk Survey) every two years since 2001. The population surveyed is from ages 45 to 80 and is split between retirees and pre-retirees. The survey samples include all income levels and are selected to be representative of the U.S. population from an economic perspective. The survey includes some repeated questions and questions around several topics of emphasis in each iteration. Some questions throughout the series speak to planning for diminished capacity. Here are some key findings:

Some people do not plan at all. For many others, their planning is relatively short-term and focused primarily on cash flows. It seems very clear that many people are not considering and focusing on diminished capacity in their retirement planning.

The 2007 Risk Survey focused on change during retirement. It documented that some people anticipate diminished capacity. This survey focused on three periods – "go-go", "slow-go", and "no-go". The beginning of Phase Two is marked by a decline in either physical or mental capacity, or both. About 70% of the retirees and 85% of the pre-retirees in the 2007 survey expected to experience Phase Two at some time during retirement. This phase, if it occurs, does not happen at the same age for all. About two-thirds of pre-retirees and retirees and in the 2007 survey expected to experience Phase Three during retirement. Like Phase Two, Phase Three, if it occurs, does not begin at the same age for all retirees and it is likely to begin at different ages for couples. The need for assistance may arise due to cognitive or physical impairment or both. Some retirees in this phase are unable to speak or write, and communication can be very difficult.

People with greatly diminished capacity may need long-term care. The 2017 Risk Survey focused on what people knew about long-term care and whether they had planned for it. The survey also focused on caregiver issues. The SOA has also published research on the family and its role in retirement planning. The survey data related to planning for caregiving and long-term care were considered together with results from the age 85 and over research.

The 2017 Risk Survey provides insights on how people have financially prepared for long-term care[7]. Among pre-retirees, "save on your own" got the most responses with 45% of pre-retirees saying they had done this and 38% planning to do so. Of the pre-retirees, 11% said they had discussed how they will pay for long-term with their family and 42% planned to do so. Fewer had or planned to discuss with a financial professional. 10% of pre-retirees said they purchased long-term care insurance and 36% plan to do so. Among retirees, 12% had purchased long-term care insurance and 17% plan to do so. The majority of the respondents said they were now financially well prepared for long-term care.

The special report on this topic also provided data from the age 85 and over research. Among this group, more had prepared. 25% said they had purchased long-term care insurance, and 34% said they had a discussion with their family. The age 85 and over report also asked respondents how well prepared they were for long-term expenses and it is clear that that respondents feel more prepared than they really are. They are overly optimistic. This is consistent with over optimism in other areas.

The combination of the 2017 Risk Survey and the age 85 and over research made it clear that while family is an important source of help, there is relatively little planning that involves the family caregivers interacting with the people they may care for. The Conversation Guide currently under way with the Stanford Center on Longevity and University of Minnesota is designed to help improve that situation, specifically with regard to planning for financial management. It should provide resources that employers could use with employees and that the DOL could recommend if it wished to do so.

The 2017 Risk Survey also asked about strategies to pay for long-term care and it was clear that the respondents overestimated what Medicare and health insurance would pay for such care. (Two of the existing decision briefs[8] published by the SOA focus on long-term care financing and health insurance during retirement. Both of these briefs have been updated recently and are suitable for sharing with employees. They identify options and questions to help people think through decisions.)

The 2019 Risk Survey[9] includes a section on family support and aging alone. That survey also has questions that offer insights about diminished capacity and planning. Some of the items of interest include:

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[7] There is a special report on this topic "Planning for Personal Long-term Care Risk", https://www.soa.org/globalassets/assets/files/resources/research-report/2019/planning-personal-ltc-risk.pdf. This report covers findings form the 2017 Risk Survey and the Age 85 and over research.

[8] https://www.soa.org/resources/research-reports/2012/research-managing-retirement-decisions/. This is a series of decision briefs. This is a one-page handout that lists all of the briefs. https://www.soa.org/globalassets/assets/files/research/projects/research-2012-retire-briefs-flyer.pdf

[9] https://www.soa.org/globalassets/assets/files/resources/research-report/2020/2019-risks-process-retirement-survey.pdf

Individuals over age 65 (both pre-retirees and retirees) were asked about their legal documents and designation of health proxy, power of attorney, and people who would care for them. They were also asked if they had talked to the people who they thought would care for them or made arrangements for care. (See Figure 99 in the complete report of findings from 2019 Risk report survey). The responses to all of these questions showed many gaps in planning. Of the retirees over age 65, 68% said they had organized their legal documents, but only 46% said that they had talked to the person who they think will care for them. This survey demonstrates the need for more people to plan for diminished capacity.

The survey also demonstrates that many people do not know who might care for them. Over the last few years, family interaction has been an issue in various reports published by the SOA, and there has been a focus on understanding issues faced by people without available family members to help. 54% of pre-retirees and 38% of retirees said that they do not know of a relative or friend that they can count on to take care of them in old age.

The research report for the Conversation Guide referenced above is in the process of completion and will provide more insight into how people are planning for diminished capacity from a financial point of view. The lead members of the project team, Steve Vernon, Marti DeLiema and Naomi Karp, will be providing the research findings from that project to the Council

Research on Fraud and Financial Exploitation

One of the ongoing continued questions in the SOA Risk Survey series asks pre-retirees and retirees about their level of concern on a list of items. The three areas that have consistently shown the most concern are paying for health care, paying for long-term care, and concern about the impact of inflation. The list includes an item related to level of concern about fraud. This has ranked consistently low on the risk of pre-retiree and retiree concerns. In 2019, the item on fraud was "*How concerned are you that you might be a victim of a fraud or scam?*" Only 31% of pre-retirees and 35% of retirees are very concerned or somewhat concerned about this. This is in contrast to 65% of pre-retirees and 53% of retirees being concerned about the item with the highest level of concern.[10]

The Society of Actuaries Committee overseeing this research has been concerned that this reflects gaps in knowledge on the part of retirees. The Committee has initiated a new project on Fraud and Exploitation to learn how Fraud and Exploitation affects retirees and retirement planning. The first part of that project is a literature search being conducted by LIMRA, with specific focus on fraud and financial exploitation[11]. The introduction to the RFP provides some insights into the context for this work:

[10] https://www.soa.org/globalassets/assets/files/resources/research-report/2020/2020-overview-2019-research-results.pdf

[11] The RFP for the literature review can be found here https://www.soa.org/research/opportunities/2020-literature-review-exploration/

"Retirees' financial resources are attractive targets of fraud, scams and financial exploitation since, on average, retirees as compared to those actively working hold higher amounts in savings, investments, businesses they may own and other financial resources. Retirees are also engaged in complicated transactions with high monetary value such as pension cash-outs, purchases of annuities, and rollovers. These can be particularly ripe opportunities for financial fraud and abuse since retirees may rely on family, friends, professionals and others for trusted advice.

As technology has allowed retirees' resources to be transferred and liquidated more easily and changes in the retirement system have given more control to individuals over their own assets, the increasing risk of monetary losses due to fraud, scams and financial exploitation has become a greater subject of attention for many stakeholders. Despite the growth of this risk, the SOA's own research on post-retirement risks indicates that retirees and pre-retirees are less concerned about fraud than many other risks. This finding is puzzling considering the unique challenges that retirees face recovering resources they have lost. Declining mental acuity, declining health and an inability to return to work are specific barriers faced by this population."

A report from this project should be available early in 2021.

Fraud and financial exploitation were also a part of the conversation on cognitive decline. That report provided the following information about fraud and exploitation:

The request that led to the online conversation noted that the first immediate line of defense is to arrange your financial affairs to minimize exposure to fraud and mistakes, such as:

- *Leave savings at employer-sponsored retirement plans*
- *Require that financial advisers adhere to fiduciary standards*
- *Buy an annuity*
- *Use low-cost index funds*
- *Strictly adhere to using reputable financial institutions*
- *Adopt internet security features for online accounts*
- *Automate receipt of income for all sources*
- *Automate payment of bills for utilities and insurance*

A second line of defense is to set up "trip wires" or "warning signals" that they accept now while they are able to manage their financial affairs on their own, the researcher continued.

These "trip wires" essentially lay out situations in which the individuals agree that at some time in the future, when an agreed-upon event triggers, they will get a trusted, named family member involved to help with their finances. The hope is to prevent serious events and mistakes that jeopardize the older person's financial security.

Following are some "trip wires" the expert cited:

- *Diagnosis of specified health conditions*
- *Trouble balancing the checkbook*
- *Trouble with using computers*
- *Move to assisted living*
- *When they've made a specified number of financial mistakes, such as incurring late penalties on bills*
- *Reaching a specified age*

Additional "trip wires" which surfaced during the subsequent online conversation include:

- *When they've thrown away or lost bills or other important mail or documents*
- *When they forget to take their medication*
- *When they don't remember if they took their medication*

Cognitive decline conversation highlights

In the fall of 2018, the Society of Actuaries (SOA) conducted an online conversation to better understand the issues related to dementia. The conversation has been documented in a report and is available on the SOA website. The experts who participated in the conversation offered personal experiences and professional judgments about the financial and life challenges that come with dementia and cognitive decline. See: A Conversation on Dementia and Cognitive Decline– Society of Actuaries, 2018. https://www.soa.org/resources/research-reports/2018/cognitive-conversation/

Retirement in America is often dreamed of as a time filled with family and friends, hobbies and new interests, travel to places near and far, and more. But when a retiree develops dementia or cognitive decline, the picture changes. The individual, family and other loved ones must adjust to new realities where memory is fading.

The SOA report documented that dementia and cognitive decline can be a major problem, whether the individual has financial resources or not. One key to dealing with the challenges of dementia is strong family (or support system) communication. Yet, every situation is different. As one commenter put it, "*Successful aging requires strong family communication. Spouses need to talk honestly to spouses; parents need to talk honestly with adult children, and vice versa; and adult children need to talk honestly among themselves about their parents."*

Other SOA research found, however, that many families do not have conversations about such matters in advance of the time when a problem occurs. And some people do not have family available to help them, particularly as they reach the advanced ages.

The conversation provided insights to some of the challenges and how they vary by family. Some discussants reported that certain individuals and families will not discuss the possibility of needing help or having dementia while others have clients and families who engage in maximum planning steps. In some cases, individuals take action based on advance planning, but in other cases, people act only after something has gone wrong.

- In all situations, the participants stressed, it is important to look for signals that it is time to do something.
- The message that emerged repeatedly is that although planning does not solve all problems, it can make dealing with them when they arise a great deal easier.
- Some signs of problems include: unpaid bills and unopened mail, check books not balanced, tax returns not signed or filed, phone calls or emails not returned, and sometimes being the victim of fraudulent activities. Other examples include difficulty with driving, poor dietary habits due to difficulty shopping or making meals, and inability to manage medication properly.

Products, arrangements, and legal steps that can offer financial and legal protection regarding dementia include:

- Use of lifetime annuities. The funds placed in these products are managed by the insurance company and paid regularly for life without any action on the part of the individual. Another advantage is the individual can have these funds automatically deposited. Product variations sometimes used for older individuals include joint and survivor annuities and deferred income annuities.
- Purchase of long-term care protection. This insurance can help finance needed care.
- Trust arrangements. These legal documents can transfer management of a person's funds to a trustee.[12]
- Powers of attorney. These documents delegate authority to make decisions to a trusted person when the individual is no longer willing or able to make decisions.
- Investment strategies that do not require ongoing choices. One example is the use of a target date approach to investments which rebalances investments automatically, say every quarter.
- Use of a service that provides for support with bill paying and everyday money management. Auto-pay programs provide one common example, but they can create problems for people helping with finances or if they are in effect when someone dies.

<u>How employers can get involved</u>: Older individuals and their families often need legal help with structuring and putting into place such documents as trusts and powers of attorneys. An employer needs to decide whether it will help current employees deal with these issues.

[12] Note that while appointing a trustee to manage a person's fund can be very helpful, it also entails risk. Care is needed in choosing a trustee. There are multiple risks. The trustee can misappropriate funds in some cases or they simply might be a poor manager acting in good faith. The same cautions apply with regard to granting a power of attorney.

Several ways that employers can provide some support include offering access to legal services, assisting in locating local resources, by offering an employee assistance program, offering access to long-term care insurance, and by providing education as part of a financial wellness program. When employers provide assistance with these issues, they need to consider fiduciary responsibility and be careful about the qualifications of the group offering the assistance, and how the assistance is provided.

Employers may also encounter retirees who experience cognitive decline while they are receiving benefits or while their defined contribution accounts are still in the employer's plans. When these employees start experiencing memory loss, or stop cashing benefit checks, there may be challenges in connection with the delivery of the benefits. The plan sponsor will want to be sure that the plan administration mechanisms can deal with these issues.

Need for help among older adults

As people age, they often need help with a variety of tasks because of diminished capacity. Types of help needed include driving, household tasks, daily finance management, doctor visits, etc. Some people also need assistance with the activities of daily living (ADLs) including bathing, dressing, eating, etc. The Society of Actuaries' research referenced above with Americans age 85 and over asked individuals what help they needed and asked adult children what help they provided. Two surveys were conducted, a telephone survey of individuals aged 85 and over, and an online survey of adult children of parents aged 85 and over.[13]

The surveys showed a variety of different types of help needed and the survey of adult children showed the source of the help. It should be noted that the individuals surveyed had to be able to respond to a telephone survey and would therefore tend to be healthier than the population average. The parents of the adult children clearly needed more help in all areas, particularly with the activities of daily living. That survey also shows the role of family and paid help for this group. Family was more likely to help with activities that can be timed and are less frequent such as transportation and shopping and paid help was much more likely to help with the activities of daily living. The bottom line is that the population at this age is very likely to need help. And family is likely to be involved, either directly providing help or finding and supervising help in other cases.

Table 1
Help Needed by Individuals Age 85 and Over

Type of Help Needed	% Needing Help
None	36%
The need to be driven places	49

[13] It should be noted that the individuals who responded to the telephone survey are likely healthier than the population overall at ages 85 and over, and they are definitely healthier than the parents of the children who responded to the online survey.

Support with taking care of your residence	35
Assistance with shopping	34
Support with daily or weekly housekeeping activities such as laundry or cooking	23
Care for the activities of daily living such as getting in and out of bed, getting dressed, toileting, bathing or feeding	8

Source: Society of Actuaries' telephone survey of individuals aged 85 and older, 2019, N = 201

Table 2
Support Needed by Parents of Adult Children Surveyed
By Provider of Support

Type of Help Needed	Family*	Friends	Paid Help	N/A	Don't Know
Personal care, such as getting in and out of bed, getting dressed, toileting, bathing or feeding	25%	2%	31%	48%	1%
Management of medications and medical care	44	2	26	30	2
Transportation	62	8	16	23	2
Shopping	61	7	11	27	2
Preparing meals	37	1	32	34	1
Doing laundry	38	-	28	35	2
General upkeep and cleaning of residence	40	1	38	25	1

*Excluding spouse or partner
Source: Society of Actuaries' telephone survey of adult children of individuals aged 85 and older, 2019, N = 202; Note that the adult children were required to be knowledgeable about their parents' situation.

This research indicated that people age 85 and older often rely on informal support, often provided by family, rather than formal support from institutions and organizations. Individuals without a support system have a gap to fill in their planning. Further research is needed to understand and develop alternatives for people without available family. The research did not explore the extent to which blended families are different. Further research is needed to understand special issues for blended families.

Another phase of the research[14] showed that people who reside in assisted living facilities very often get help with money management. That research indicated that family members,

[14] Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience,* Society of Actuaries' Pension Section News.

especially children or other younger adults, often find themselves in the role of helpers, and they appear to be used more often than paid financial advisors. 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.

Couples often have a healthier partner to help the partner in need, although with some couples, both need help. Couples can split responsibilities. In some couples, for instance, one person does most of the money management, while the other may not provide much backup.

Implications for employers of diminished capacity employees, retirees and people employees are caring for

Retirees, their caregivers and those who help them are concerned about managing their finances, avoiding fraud, managing their lives, paying for care and support when it is needed, and finding suitable care when it is needed. Diminished capacity can come in many different forms and different strategies are needed to deal with it.

Employers can consider structuring programs, their options, and administration so they are able to accommodate the challenges created by diminishing capability of beneficiaries. They can be included in employee wellness programs, EAPs and prepaid legal programs support for people facing challenges. They can support long-term care insurance as a way to help employees prepare for costs associated with diminishing capability.

Possible actions for employers include:

- Remind people to consider these matters when planning for retirement. Two things to think about in this regard are that many financial planning systems do not consider the need to think long-term, and that they do not consider diminished capacity and related issues.
- Include long-term care related options in planning systems and software
- Help employees and/or retirees identify and implement strategies for dealing with diminished capability using an employee assistance program
- Offer access to legal services through a prepaid legal plan
- Provide information about long-term care options and its financing
- Offer access to insurance products through a group purchasing arrangement to help finance long-term care
- Provide information on diminished capacity through financial wellness programs
- Where employee benefit services are offered on an automated basis, provide options to help those with diminished capability who have communication and/or technology challenges.

Some of the topics that might be considered for a financial wellness offering include helping employees understand:

- How to recognize and deal with diminished capacity and cognitive decline
- How the potential need for long-term care affects retirement planning
- How a potential caregiver should consider diminished capacity in retirement planning
- The options for financing of long-term care
- Where to find information about local support groups, community and public sector activities and support services
- Legal issues, resources to understand them and what types of documents are needed

Implications for employers – a focus on the caregiver

The same initiatives may also provide help to the employee/ caregivers. Caregivers may pay a heavy price in reduced health, lost wages and savings for caregiving. They are faced with stress and employers may be faced with declines in productivity when the caregivers are stressed out. They may need to deal with emergencies and have major challenges when there is a shift in location for care. Employers can also play a role in helping these employees:

- Offering flexible work schedules and time off that works for the caregivers
- Assisting caregivers with stress through the company's benefit programs
- Using employee assistance programs to assist the caregiver in locating and evaluating suitable support
- Helping employees understand the role of professional care managers and helping them locate them

The DOL could help employers, service providers including plan administrators, wellness providers and EAPs, as well as individuals by providing fact sheets and information about resources that can help. The DOL could also make suggestions about good practices for issues to be included in due diligence.

Conclusions

As Americans age, diminished capacity more often is a reality. Observations that can help employee benefit plan sponsors and employers respond to the issues related to diminished capacity:

- For many Americans, employer-sponsored programs like financial wellness, retirement plan linked communications, and employee assistance programs are the only source of outside financial planning support information that they get. Individuals with higher income and/or assets are more likely to engage financial advisors. There is a lot of information available to the public, but it is challenging to separate the good from the bad and many people do not look for it.

- The public has a general awareness of the potential for diminished capacity, but most likely without details as to what that will mean for them and their family.

- There are huge gaps in planning for diminished capacity which in turn creates gaps in retirement planning. Some people are unwilling to consider such planning or think about the possibility of diminished capacity.

- There is a major misunderstanding of Medicare and support for long-term care. The public vastly overestimates how much long-term care will be paid for by Medicare.

- There is over-optimism about how the level of preparation for paying for long-term care will be accomplished. (There is over-optimism about other retirement planning issues as well.)

- Family is a major source of help when it is needed, but there is little planning for family help. Providing help and caregiving can turn into a huge strain for family.

- Diminished capacity comes in many different forms. Cognitive decline changes everything and makes support much more difficult. Ability to communicate and use technology are important factors in being able to interact with financial institutions and many employee benefit plans. Physical and mental changes help determine the need for various kinds of regular support.

- Relatively few people have made plans for help managing finances.

- A majority of retirees over age 65 said their legal documents are in order in the 2019 Risk Survey, but many have not had a discussion with the individuals designated to help them.

- There are a number of strategies that can structure financial arrangements including benefits to make it easier to manage when people need help.

- There is a big opportunity for employers to use benefit plans to help people learn more about dealing with these issues. SOA research does not offer information on the prevalence of employer help.

- COVID-19 has increased the need for help and made it more complex to provide.

Appendix

The following are excerpts from a paper I authored about the experiences of my mother, titled,

"Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned From Personal Experience" [15] --
Excerpted section edited to include content viewed as most relevant

A Case Study – Gradual Transitions with Changes in Diminished Capacity

My mother had Parkinson's disease, with a long period of decline in physical and mental ability. The last few years while in the nursing home, she couldn't write or speak understandably, so communication was very difficult, and she couldn't walk at all. Her communication difficulties made it impossible to know the extent of her cognitive decline in her last few years. Her four children lived in different locations and worked cooperatively to help her during the later stages of her Parkinson's disease.

Some of my insights are as follows:

- The ability to use the telephone unaided was highly important. When the phone was no longer available as a means of communication, it made a huge difference in her quality of life. When the ability to communicate on the telephone without help was limited, that was also important. Steps along the way included: could no longer use answering machine, could only use phone with big buttons, could only call pre-programmed numbers (up to three) on big button phone, could not have much of a conversation, and could not talk at all even when phone was brought to her. Limitations in operating the phone may involve inability to pick up or hang up the phone, poor vision and cognition. I had not thought about this until we experienced it. Difficulties in using phones may be greater with cell phones.
- In managing her money, my mother made an interesting transition from full independence to turning over management to family members with an investment advisor. She had noticed some difficulty doing math (which can be tied to the Parkinson's disease). During the transition period, she asked the accountant's assistant to check over her payment of bills, which they did periodically. The next step was that she put them in a pile and they paid them together. Next she put them in a pile, and the helper paid them for her. This enabled her to do as much as she could for quite a while. It is valuable for people to do as much as they can, and to be able to accomplish tasks of importance to them. (Note that my mother was the surviving spouse on my father's pension and he had retired so no decisions about benefits were required. My father had been a federal government employee.)
- Managing medication was very difficult and was a consideration in the type of help needed. Specific facilities and types of helpers offer different capabilities for managing medication.
- My mother moved from her own single-family home to an independent living facility, then to assisted living and finally to the nursing home. The total period from the time she moved to the independent living facility to her death was 11 years. My view is that each of these facilities

[15] Rappaport, Anna M. 2014. Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned From Personal Experience – paper which provides information about a variety of options for housing combined with care and how decisions were made in selecting care options. *https://www.soa.org/essays-monographs/managing-impact-ltc/mono- 2014-ltc-manage-rappaport.pdf.*

proved very helpful and provided appropriate support when she was there, and that it was valuable to be able to move.

- The availability of family was extremely important at later stages, particularly when my mother was in assisted living and a nursing home. Earlier, access to friends and activities important to her were a top priority, particularly since she could regularly talk to the family on the phone. The ability to move to a different geographic area near those people she wanted to be near or who could help was very valuable. Because the family was so geographically dispersed, no one location would have been ideal through all the stages. This is different from many other situations.
- We couldn't predict exactly when the next stage would occur. What is a very good situation at one point may not work at all in another. (We experienced only changes in personal situation, not changes in facilities, but they can occur also.)
- My mother was able to maintain as much independence as she could handle.

This story is heavily influenced by the experiences of my family. The exhibits outline the transitions in my mother's living and support arrangements along with changes in her capability and activities. Exhibit I on transitions identifies each transition, the triggers for the transition, and how the decision was made. Exhibit II discusses mobility and communication issues. Exhibit III discusses activities, financial management, and support services including preparation of meals.

Exhibit I
Transitions to Different Living Arrangements

Transition	Triggers for Making Transition	How Decision Was Made	Comments
From suburban single-family home to independent living community	Mother was concerned about being trapped in the winter, yard and house care, and generally managing. No family members were nearby to help. Age 75 at time of transition.	Both my parents were in a study group that looked into the range of available options. They selected the option they preferred after visits to various choices and group discussions about different options. Mother wanted to stay near her prior home and contacts, in a community with only monthly charges, leaving complete flexibility to change later.	Facility chosen had a two-year waiting list. My parents' names were put on the waiting list with the expectation that they would decide when their names were reached. My mother was widowed shortly before her name came up. My parents didn't like the idea of a large upfront payment and inflexibility regarding future moves.
From independent living to assisted living	A key rigger was inability to manage her medication. She had a number of meds, which had to be taken in different combinations four times a day. The reasons for staying in the location near her prior home	Accountant expressed concerns that she was not managing well and needed support from the family. Decision was made to explore the area near her son and daughter. A consultant known to a family member was engaged to suggest	This move included a location change. During her years in independent living, my mother gradually needed more help. Ultimately someone came to help her twice a day for a short period. Other support from her accountant's office

	were ability to maintain her contacts and participation in various groups and activities. However, she was no longer participating in such activities or seeing the former contacts by the time she moved. My mother was diagnosed with Parkinson's disease while in independent living.	alternatives based on her situation and resources. After selecting three options, she visited them all and worked with the consultant to think through issues. My mother made the decisions to move and where to go.	gave much of the help family members often provide. Within two weeks after the move, my mother said she was very grateful and did not know how she would have managed in the old situation.
To a special assisted living unit that could handle dementia	Two events signaled the need for a change: problems with a two-burner stove-top and going downstairs with a walker.	Assisted living facility said the change was required. No further decision was needed as she stayed at the same place.	Special unit offered a higher level of care, and was also locked so that individuals could not leave without an escort.

From special assisted living to nursing home

Problems increased as she became more paralyzed and less able to communicate. Assisted living facility indicated that the change was required. All four children conferred, and my brother recommended a nursing home at a new location. Decision was made by the family. This move included a change to a new location. The brother at that location was available to oversee care and visit nearly every day. For many people, financial issues are critical. People with modest financial resources and those covered by Medicaid have a much more limited choice of options and facilities.

Exhibit II
Diminished Capacity Changes: Communication and Mobility Issues at Different Stages

Stage	**Communication and Technology**	**Mobility and Transportation**	**Comments**
Lived in single family home—retired	Used computer for writing, family history and other applications. Regularly used telephone and answering machine. She never used a cell phone. This was before the time of smart phones.	Walked regularly with husband (until last few months) in a nearby park, usually four to five days per week. This was a major morning activity. Drove or used public transportation and drove to train station.	Husband died shortly before she left the single-family home. This was the early 1990s. Today, the Internet and email would have been used for communication.
Independent living community	Could use computer for word processing and a few applications initially, but later could no longer use computer. My mother never used email.	Had no problems initially. Walked a mile or a little longer in the neighborhood regularly and walked to local shops.	Remember that this was about 20 years ago. Today some facilities have computers available to residents for email and Internet service. Computers

	Very good oral communication skills. Responded to phone messages left on answering machine, but became less capable of using machine over time—big problems by time she moved away. Hands were getting crippled and handwriting getting worse.	Drove a car at time of move, but gave up car within a few years. Transportation was provided for shopping and various activities. Used taxis as needed.	can be set up for easy use and impaired vision. Phone response was a huge issue. It was very important when she could no longer answer phone messages.
Assisted living	Needed special phone with three buttons and could primarily call those numbers. Did not have ability to respond to phone messages. Later, she could not write and had difficulty with speech.	Could take short walks without help (about 1/4 mile). After a time, needed a walker. Could go out in car if someone took her. Went out quite a lot at first. More limited later on.	Gradually lost ability to operate television set. Even if smart phones were available, she would not have been able to use them. It is unclear at what point she would have qualified for long-term care benefits under most policies.
Higher-level assisted living	Could not make phone calls. Could respond to calls if called to phone, but had difficulty with speech so it was nearly impossible to understand her. Could not write at all.	On a very limited basis, could go out in car if someone took her. Had a walker. Could barely walk prior to move to nursing home.	Could not operate television set. At this stage, probably would qualify for benefits under a typical long-term care policy.
Nursing home	Could not converse much at all. Mostly could nod yes or no. Couldn't talk on phone or write.	In wheelchair, needed someone else to push it. Could not walk. Did not go out except into garden at the nursing home.	

Exhibit III
Money Management, Support and Activities at Different Stages

Stage	Money Management	Activities	Support and Meal Arrangements
Lived in single family home—retired	Managed independently with advice from accountant; active in equity	Walked regularly every morning, participated in study groups, went to	Cooked regularly while husband present; cooked

	investments; covered by pensions and bought income annuity in addition.	symphony, had many friends.	much less after he was deceased.
Independent living community	Accountant/adviser provided quite a lot of help. Gradually shifted from personal management of investments to investment advisor. Gradually shifted from personal payment of bills to getting help from accountant's staff. At first the staff checked over her payments, later they handled together with her, and finally bills were put in a stack and paid by accountant's staff. Family members met and communicated with accountant and financial advisor with her, laying the ground work for future steps. She had defined goals and they had a common understanding of those goals.	Continued to attend study groups (and people picked her up when she no longer drove) for quite a long time. Continued to read German weekly with a friend. Played bridge several times a week. Participated in organized armchair exercise classes. Went to symphony and other performances and museums. Served on residents' council. Made new friends and kept in touch with old ones. Later, participation in these activities declined. Family visited several times a year.	One meal provided daily. Apartment cleaned weekly. Access to washing machines on each floor. Transportation provided to shopping, activities, etc. Cooked other meals in apartment. Shopping was nearby and van service was provided, but could walk to shops and often did. Accountant's assistant came weekly to help with bills, correspondence etc. Later on, someone came for a short while in the morning and afternoon to help with personal care.
Assisted living	Family members who were joint trustees took over all bill paying and daily money management. They interfaced with investment adviser who handled investments. There were some tricky issues with regard to whether to make gifts on her behalf.	Participated in exercise program and some activities. Made some new friends. Local family visited often and other family did periodically. Took short walks.	Assistance with medication, bathing, dressing. All meals provided. Apartment cleaned. Laundry service provided.
Higher-level assisted living	Same as above.	Much more limited participation in different activities.	Assistance with medication, bathing, dressing. All meals provided. Help with moving around.
Nursing home	Same as above.	Observed limited activities, didn't participate. Could not walk at all. Daily visits from local family member.	Could not walk, could not communicate well. Needed assistance with all activities of daily living.