Absolutely Depressing Thoughts About Aging

Nobody ever said that aging would be fun. In exchange for all of the life wisdom and experience gained over the decades, there is a litany of drawbacks and unwelcome surprises that rear their ugly heads. Here are a few delightful things to consider:

1. According to a study by True Link Financial, the estimated annual loss in the United States from financial abuse of the elderly is $365 ***BILLION***. Further, most of those losses come at the hands of family members who take advantage of people with diminished capacity. To put this in perspective, consider the amount of time and attention that seniors give to estate taxes and the fear that the government will prevent their children from receiving their rightful inheritance after death. Overall, the most damage is caused by children who do not want to wait for mom or dad to die before they get their share.

2. A Texas Tech University study found that a person's ability to make financial decisions begins to decline after age 50. After peaking at age 50, financial decision making capacity declines gradually until about age 60. Thereafter decision making capacity erodes further, so that by age 80 the quality of decision making is significantly impacted. Most people do their estate planning after age 50. Technology continues to advance and our laws and culture puts more emphasis on "easy" and "do-it-yourself" tools for planning. However, understanding that the natural decline in acuity looms in the background, trusted advisors and assistance from qualified professionals will always be a valuable piece of the puzzle in estate planning.

3. IRS data says that 55.21% of taxpayers over age 65 who itemize deductions account for one-third of all charitable gifts that are used for tax deductions in the United States each year. This means that senior citizens and retirees are making a substantial amount of charitable contributions each year. That must be good for charities (and we know their work for our communities deserves strong support), but what does the Texas Tech University study mentioned in point 2 above mean for this statistic? Seniors and retirees are often living on fixed incomes and balancing budgets to make their savings last for the rest of their lives. It may not actually be good that this population, with a difficult financial task and declining capacity for decision making, is responsible for such a large portion of the country's charitable giving.

4. According to numerous authors, the expected lifetime cost of long-term care for a healthy 65 year-old couple would be between $400,000 to $750,000. Many families simply do not have $400,000 to $500,000 extra assets to set aside for these long-term care expenses. Budgeting and financial planning is extremely challenging in this situation, even with everything working perfectly. If diminishing capacity for financial decision making, demands by the younger generation or difficult to balance priorities come into play, it is really impossible to cover all of the likely long-term care expenses.