MIT AGELAB Life Tomorrow PLAN Preparing for Longevity Advisory Network

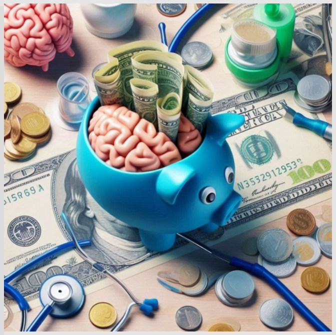
Brain health, dementia, and the financial advisor

Researchers have shed light on the close relationship between brain health and financial well-being. Learn about the latest findings in this brief.

April 2024

Cognitive decline likely affects – or will affect – some of your clients, Eighty-four percent of financial advisors report working with a client who has cognitive impairment.[1] But research is shedding new light on the relationships between cognitive decline, financial decision-making, and financial wellness.

Financial health and brain health have a tight relationship.



Cognitive well-being and financial well-being have a two-way relationship: not only does cognitive impairment lead to worse financial outcomes, but poor financial wellness is also predictive of cognitive impairment.

Poor financial health throughout the lifespan is predictive of cognitive impairment in old age.[2] In later life, in particular, major negative financial events, such as being a target of fraud, can have negative impacts on cognitive health.[3]

That means that financial security is protective of brain health.

A dementia diagnosis can have a major effect on people's financial outlooks and financial well-being. A $100,000 difference in total net worth emerges, on average, between people who received a dementia diagnosis and those who didn't. Losing the ability to work, increased healthcare costs, being forced to spend down assets to qualify for Medicaid, and impaired judgment are all dementia-related factors that impact financial health.[4]

Dementia can affect financial wellbeing earlier – far earlier – than you might think.

Changes in financial behavior due to cognitive impairment can be the earliest sign of dementia, appearing years before a diagnosis. More impulsive and unusual financial decision-making are sometimes signs of cognitive decline, in addition to missing payments. Credit card bills are the most likely payment to go missing.[1]

People diagnosed with Alzheimer's disease and other dementias were more likely to miss bill payments up to 6 years prior to diagnosis and to develop subprime credit scores 2.5 years prior to diagnosis.[1]

Considering these facts, financial advisors may find themselves on the front line of identifying cognitive decline in clients and mitigating its potential harms.

1. Nicholas, L. H., Langa, K. M., Bynum, J. P. W., & Hsu, J. W. (2021). Financial Presentation of Alzheimer Disease and Related Dementias. JAMA Internal Medicine, 181(2), 220. https://doi.org/10.1001/jamainternmed.2020.6432
2. Cho, T.-C., Yu, X., Gross, A. L., Zhang, Y. S., Lee, J., Langa, K. M., & Kobayashi, L. C. (2023). Negative wealth shocks in later life and subsequent cognitive function in older adults in China, England, Mexico, and the USA, 2012–18: A population-based, cross-nationally harmonised, longitudinal study. The Lancet Healthy Longevity, 4(9), e461–e469. https://doi.org/10.1016/S2666-7568(23)00113-7
3. Kobayashi, L. C., Peterson, R., Avila, J. F., Amofa, P. A., Vila-Castelar, C., Meza, E., Shaaban, C. E., Whitmer, R. A., Gilsanz, P., & Mayeda, E. R. (2023). Life course financial mobility and later-life memory function and decline by gender and race/ethnicity: An intersectional analysis of a multi-ethnic cohort study. Alzheimer's & Dementia, 19(S22), e078475. https://doi.org/10.1002/alz.078475
4. Li, J., Skinner, J. S., McGarry, K., Nicholas, L. H., Wang, S. P., Bollens-Lund, E., & Kelley, A. S. (2023). Declines in Wealth Among US Older Adults at Risk of Dementia. JAMA neurology, 80(11), 1250-1252. doi:10.1001/jamaneurol.2023.3216