

**ANNA RAPPAPORT CONSULTING**  
STRATEGIES FOR A SECURE RETIREMENT<sup>SM</sup>



**Diminished Capacity and  
Retirement Planning**

Testimony at ERISA Advisory Council  
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# My Perspective

- Phased retiree and former member of the ERISA Advisory Council
- Heavily involved in Society of Actuaries research
  - Chaired Committee on Post-Retirement Needs and Risks since its inception
  - Involved in many of its projects
  - Researcher on some and regular author
- Testimony today based on
  - Personal experience as a family caregiver
  - Personal research and writing
  - Society of Actuaries research
  - Views are my own



# SOA Research Overview

- Survey of Post-Retirement Risks – every two years since 2001
- Focus groups and interviews
  - Within first ten years of retirement – 2013
  - Retired 15 or more years – 2015
  - Age 85 and over – 2017
- Managing Post-retirement Risks – overview of risks and how to manage them
- Decision briefs
- Essays and special studies
- On-line conversations among retirement professionals



# **SOA RESEARCH AND PLANNING FOR DIMINISHED CAPACITY**



# Research – 2007 SOA Risk Survey

- SOA Risk Surveys – every two years since 2001
  - Pre-retirees and retirees (aged 45-80)
  - Each survey – areas of special focus and repeated questions
  - Includes all income levels
- 2007 Risk Survey
  - Focused on three phases during retirement – “go-go”, “slo-go” and “no-go”
  - 70% of retirees and 85% of pre-retirees expected “slo-go” period during retirement
  - About 2/3rds of retirees and pre-retirees expected “no-go” period during retirement
  - Couples may be in different phases



# Research – 2017 SOA Risk Survey

- 2017 Survey: focused on long-term care
  - Asked how people prepared financially
  - Pre-retirees: most common answer “Save on Your Own”: 38% had done so and 38% planned to do so
  - Pre-retirees: “Discussed with family”: 11% had done so and 42% planned to do so
  - Pre-retirees: “Purchased long-term care insurance”: 10% had purchased long-term care insurance and 36% plan to do so
  - Retirees: “Purchased long-term care insurance”: 12% had purchased long-term care insurance and 17% plan to do so
- Majority said they were well prepared – but is this reality?



# **Research – Age 85 and over survey (2018)**

- 25% said they had purchased long-term care insurance
- 34% said they had discussed with their family
- Respondents felt well prepared for long-term care expenses

Observation: They seem over-confident



# Research - Getting and paying for help

## Paying for long-term care

- 2017 Risk Survey: Respondents way overestimated what Medicare would pay for
- Respondents also overestimated what health insurance would pay for

## Family is a major source of help

- Finding from 2017 Risk Survey and Age 85 and over study
- Not much planning for family help
- Family often steps in when needed
- SOA research help categories included driving, helping in house, helping with personal care and not much on financial management





# Research - 2019 Risk Survey

- Areas of focus: included family support and aging alone
- Respondents asked about legal documents and making arrangements for help if needed
- Of respondents over age 65: 68% said legal documents were in order
- 54% of pre-retirees and 38% of retirees do not know of relative or friend who will care for them
- Of respondents over age 65: 46% said they had talked to person they think will care for them

Observation: People are probably overstating what they have done, and documents may not be up-to-date

Observation: There are major gaps in planning and support



# **OTHER SOA RESEARCH**



# Research - Fraud and Exploitation

- Risk Survey Series: “How concerned are you that you might be a victim of a fraud or scam?”
  - Ranks very low across the survey series
  - 2019 – 31% of pre-retirees and 35% of retirees are very or somewhat concerned
- Committee members concerned about this response
- Literature search currently underway on this topic



# Cognitive Decline Conversation

- On-line conversation among retirement professionals
- Report has been published
- Highlights of conversation
  - Some people are unwilling to discuss or plan for this
  - Planning does not solve all problems, but it makes it easier
  - Important to look for signals of trouble
    - Unopened mail and unpaid bills
    - Unpaid taxes
    - Messages and e-mails not answered
    - Difficulty driving
    - Difficulty with medication



# Cognitive Decline: What Can Help

## Conversation suggested strategies:

- Communication across the generations
- Use of lifetime annuities
- Purchase of long-term care insurance
- Trust arrangements
- Put legal documents in order – powers of attorney
- Investment strategies that do not require ongoing choices
- Use of services to help with regular financial management



# Cognitive Decline: What Can Help

## Employers can help

- Focus on caregivers and the employees/retirees needing help
- Offer financial wellness programs, prepaid legal, employee assistance programs
  - Offer information and education
  - Can offer services and assistance with issues
  - Can make referrals to services
  - Can provide information about community support
  - Help employees/retirees avoid fraud
- Focus on important decisions and decision points – example: lump sum payments



# **BUILDING EMPLOYER ACTION PLAN**



# Things to Consider

- How to recognize and deal with cognitive decline
- How long-term care affects retirement planning
- How caregiver should consider diminished capacity in planning
- Options for financing long-term care
- How to find information about local support services and groups
- Legal issues, resources to understand them and types of documents needed
- What outside resources materials are suitable for recommending to employees
- How employees and retirees can find legal help

**Note: these topics can be considered in building a financial wellness program**





# Possible Actions for Employers

- Include information on diminished capacity in financial wellness programs
- Remind people to consider diminished capacity and long-term issues in retirement planning
- Include long-term care in planning systems and software
- Use employee assistance program to help employees and retirees identify and deal with diminished capacity
- Offer access to legal services through pre-paid legal
- Provide information about long-term care options and financing
- Offer access to long-term care insurance products through group purchasing arrangements



# Supporting caregivers

- Offer flexible work schedules and time off that fits caregiver needs
- Assist caregivers with stress management
- Use employee assistance program to help caregiver locate and evaluate suitable support
- Help employees understand the value of professional care managers
- Help employee locate professional care managers

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