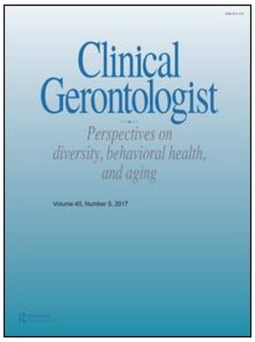

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Illustrating a Person-Centered Approach to Financial Capacity Evaluations Through a Case Study

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ABSTRACT

Objectives: Although the National Institute of Medicine Social Security committee recommended that a person's financial capacity should be defined and assessed as real-world performance, there has been scant progress on creating methods to translate this idea into reliable methods. The current clinical comment focuses on analyzing actual financial management and decision-making in an evaluation to determine whether the older person needed a conservator.

Methods: A case study is used to illustrate how to take a feasible approach to analyzing financial management and decisions and applying those to financial capacity assessment.

Results: By employing a person-centered analysis of checking and credit card statements and using a semi-structured interview, the clinician was able to assess the financial management and decision-making skills of an older adult.

Conclusions: Clinical gerontologists have an ethical prerogative to enhance autonomy where possible. Analyzing a person's actual financial management records as opposed to hypothetical and perhaps unfamiliar financial tasks may represent a step forward in person-centered assessment of financial management and capacity.

Clinical implications: Clinical gerontologists are often asked to provide financial capacity assessments. Using a person-centered approach to assessing financial management and financial decision-making offers a new and reliable method of assessing financial capacity.

KEYWORDS
Financial capacity; financial management; financial decision-making; aging; capacity; competency

Introduction

How does a clinician best assess financial capacity when the question revolves around the ability to independently manage one's own finances (e.g., questions related to Conservatorship or activating a Power of Attorney)? A review of the literature on financial capacity finds a focus on financial management skills, financial knowledge, and financial decision-making (American Bar Association Commission on Law and Aging and American Psychological Association, 2008; Marson, 2016). The American Bar Association Commission on Law and Aging and American Psychological Association (2008) handbook for psychologists stated "at present there are two potential approaches to assessing financial capacity: clinical interview and direct performance instruments (p. 75)." The direct performance instruments used by clinical gerontologists follow what Marson (2016) categorized as a clinical model for financial capacity. These clinical model tools focus on objective, hypothetical tasks, and problems. That is, general tasks are developed to assess concepts and problems relevant to financial capacity. While there is no disputing that this approach is useful in assessing general skills, it is not clear how these translate to an individual's specific situation. Furthermore, the tools developed in this clinical model tradition, however, do not meet the standards for evaluating a person's actual abilities in her own life. In 2016, the Institute of Medicine and the National Academy of Sciences sponsored a committee to evaluate the Social Security Administration's capability determination process for adult beneficiaries. In their final report, the committee recommended that financial capacity should be defined by and assessed as real-world performance in meeting one's basic needs and success in handling financial demands in the individual's actual environment. Although recent research has underscored the need for such an approach, no one had proposed a real-world approach to daily personal financial management

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until recently. In this clinical comment, we offer a new and innovative approach; namely, a person-centered analysis of financial management to complement an already established person-centered financial decision-making approach, and we illustrate this approach with a case study.

Lichtenberg et al. (2015a) proposed a new conceptual model to understand financial decision-making and along with it a new rating scale for use in the assessment of financial capacity: the Lichtenberg Financial Decision-making Rating Scale (LFDRS). The principles used in creating the LFDRS were the Whole Person Dementia Assessment model (Mast, 2011) and the decision-making model of Appelbaum and Grisso (1988). The Whole Person Assessment model is described in some depth in Lichtenberg et al., (2015a) and applies person-centered principles of deep respect for individuality and personhood to the standardized psychological assessment process. This includes focusing on actual decisions instead of hypothetical vignettes and emphasizing the importance of listening to the older person's account surrounding the financial decision. The Applebaum and Grisso model focus on the elements needed for informed decision-making in financial capacity assessment: choice, understanding, appreciation, and reasoning. More recently, a new method for analyzing personal finances and financial management was described.

Methods

Lichtenberg et al. (2022) using data from the WALLET study highlighted procedures for examining and evaluating an individual's own financial management and decision-making skills through a review of checking and credit card account statements. The basic steps to perform this evaluation include:

(1) Establish regular monthly/annual income; this may include multiple sources of income, such as Social Security, pensions, IRAs with a required minimum distribution, annuities, or other investment accounts. Also, establish whether there are regular payments into a savings or investment account so that these will not be counted as expenditures. Some of these incomes are easily identifiable, and others must be probed and confirmed on the interview with participants.
(2) Examine statements for the following: (a) bank fees for insufficient funds, loan interest penalties for missed or late payments, and exorbitant ATM fees and (b) patterns and amounts of cash withdrawals.
(3) Examine for one-time, non-recurring events (i.e., unusual). These include annual tax payments, large purchases, etc. Note any unusually large expenses and clarify what these are during the interview.
(4) "Stress test" expense categories such as Utility payments – phone, television/computer, water, gas, electricity, etc., and credit card expenses.
(5) Use the LFDRS to assess informed decision-making about key expenses and major financial decisions.

The combination of these person-centered approaches to financial management and financial decision-making has been successfully applied in cases involving Conservatorship or activating a Power of Attorney. A recent case example is described below.

Results

Case example to illustrate person centered financial management assessment

Ms. AB was a 75-year-old single (never married or partnered) woman who came under the care of a case manager after she suffered from COVID-19. When she suffered from COVID-19 her problem with hoarding intensified to the point that her apartment manager threatened her with eviction. The case was referred to Adult Protective Services. She was assigned a case manager through an Adult Protective Service worker intervening with the apartment manager. The case manager helped to get Ms. AB's thyroid condition and symptoms of bipolar disorder treated and under better control. Her symptoms of schizoaffective disorder continued, and the case manager reported that Ms. AB had significant difficulty with frustration tolerance and working constructively with others. In fact, the case manager had to spend extraordinary amounts of time defusing Ms. AB's anxieties and suspiciousness of others, as well as Ms. AB's angry outbursts. Ms. AB was assigned to the Guardian after a petition was filed. A petition for Conservatorship, however, was not initially sought. Several months later, the Conservatorship petition was requested by Ms. AB's Guardian, and the court requested that an independent assessment take place. The author was contacted by Ms. AB's attorney and agreed to by the court and by Ms. AB's Guardian.

Ms. AB had not worked in 30 years. At age 45, her mental health issues were of such severity that she was granted social security disability (symptoms of both bipolar disorder and schizoaffective disorder). Throughout her childhood and adulthood Ms. AB suffered from multiple concussions. Approximately 10 months before the current assessment she was involved in a motor vehicle accident as a passenger and suffered a mild TBI. Ms. AB had a minor lawsuit pending for the TBI (the more major suit had been settled although Ms. AB was not happy about the small settlement). Two years before her COVID-19 infection Ms. AB became the beneficiary of her deceased older sister's Trust. The Trust was set up to explicitly assist Ms. AB, but the sister's attorney was the designated Trustee. The Trustee paid off a $65,000.00 credit card debt Ms. AB was carrying, and the Trustee arranged to pay rent, medical bills and to give Ms. AB a $2,000 per month stipend to use for personal expenses.

Ms. AB reported that her life had changed 20 years prior to the evaluation when she became a member of a local church. She was devoted to the church, attending Sunday services regularly and having frequent contact with the church minister. She stated that since she became involved with the church, she no longer experienced severe depressive symptoms, and that her home only became "messy" due to her severe symptoms from COVID-19. Her self-assessment of the conditions of her apartment during COVID-19 demonstrated her lack of awareness of how dangerous her living conditions were – both for her and for others.

The independent assessment included a neurocognitive evaluation, assessment of financial decision-making using the LFDRS and an assessment of financial management as well as financial knowledge. The neurocognitive assessment consisted of a typical 2–3-h dementia battery and in addition, effort testing (guarding against purposefully poor effort) was administered as well. Ms. AB showed no signs of poor effort. She scored a 43/50 on the Warrington Recognition Memory Test for faces; a scale often used for effort testing in cases of Traumatic Brain Injury. Overall, the results were consistent with mildly impaired executive functioning (impaired scores on the Stroop, Trail making, and verbal fluency tasks). Strengths were noted in attention, language, memory, and visual-spatial functioning. Ms. AB was alerted ahead of time to have her checking and credit card statements for at least the last six months available. She complied and allowed her records to be reviewed. Nine months of her checking and credit card statements were reviewed, and this was followed by using the semi-structured interview created by the WALLET study and described above. The numbered steps below correspond with the WALLET study approach described in the Methods section.

Step 1: I confirmed with Ms. AB that she received $2,000.00 per month of spending money and in addition her medical care and rent were paid for by her Trustee. I noted that Ms. AB was meticulous in keeping her checkbook register up to date, with detailed notes about each month's expenditures. She kept track of her running balance, and her calculations were accurate as well.

Step 2: Examine for fees, missed bills, exorbitant interest: A review of her credit cards revealed that she had taken out three new credit cards in the past year and unbeknownst to her Trustee Ms. AB had four new credit cards and amassed debts of over $25,000.00. This debt was accruing high rates of interest fees.

Step 3: There were no individual purchase payments that were exorbitant.

Step 4: The "stress test" revealed two categories of concern: contributions to her church, and home shopping network purchases. A review of her credit cards revealed that she had taken out three new credit cards in the past year and unbeknownst to her Trustee Ms. AB had four new credit cards and amassed debts of over $25,000.00. When asked about the church contributions, Ms. AB stated that she tithed 10% of her monthly stipend to the church. This was a significant underestimate of her actual contributions as Ms. AB gave over 35% of her monthly stipend to the church. When asked about the home shopping network purchases, she admitted that she was a shopaholic, and Ms. AB had no idea regarding what her typical expenditure amount was for these purchases. When asked about her credit card balance, Ms. AB stated that she thought her new debt was $5,000.00. In fact, it was five times the amount she claimed it to be.

Step 5: Using the LFDRS: On the LFDRS Ms. AB scored in the "Major Concerns" range indicating high risk of not being able to make an informed financial decision. She stated that she was overspending and experiencing both high amounts of psychological vulnerability around finances and relationship strain with her Trustee about money. She believed that since the money was for her, she should be allowed to have an allowance that was 2–3 times what she was currently receiving. She also expressed significant worry about her debt.

Analyzing the results of the assessment in terms of financial capacity (see, Lichtenberg et al., 2015b)

Step 1: Is there evidence of a neurocognitive and/or mental health condition and at what severity? Ms. AB had a complex mental health disorder with diagnoses of both bipolar disorder and schizoaffective disorder. Superimposed on this was a series of Mild Traumatic Brain Injury experiences. The combination led to some executive functioning and emotion-regulation deficits. Overall, the cognitive deficits were mild, whereas the mental health disorder was at least in the moderate range.

Step 2: Specific financial management and decision-making abilities: Deficits were documented in both financial management and informed financial decision-making skills. MS. AB was overspending her monthly income and creating new and significant debt. She had no awareness of her financial management deficits and simply believed herself entitled to more income. She grossly underestimated her spending in certain categories and had no awareness of the severity of her debt. In terms of financial decision-making, Ms. AB demonstrated a lack of appreciation of financial risks (i.e., severe debt) and an understanding of how she spent her income. These were deficits in fundamental aspects of decision-making (see, Appelbaum & Grisso, 1988).

Step 3: Awareness of Deficit and Ability to Compensate: Ms. AB lacked any awareness of her financial management, decision-making, or neurocognitive deficits. In addition, she saw no need to utilize compensatory strategies and instead her solution was to pressure her Trustee to give her more money.

Step 4: Integrate findings with the legal standards in question: The findings from the checking and credit card statements as well as from the LFDRS were then integrated with the legal standards of the State for Conservatorship. In this state, the legal standards for meeting the Conservatorship standard are twofold: (1) the presence of a neurocognitive condition or mental health disorder that made the person unable to manage her finances and (2) the waste of assets without proper oversight. MS. AB's long-term mental health disorder, neurocognitive deficits, and lack of awareness and ability to compensate made her unable to properly manage her finances and her finances would be wasted without oversight. It was recommended that she be assigned a Conservator. One alternative consideration would be to simply continue with the Trustee. A Trustee's powers are limited, however. The Trustee controls only the Trust and has no rights to cancel new credit cards or limit other expenditures. In this clinician's view, Ms. AB met the standards for needing a Conservator.

How do Ms. AB's values come into this assessment? With increased emphasis on supported decision-making, exploration of values becomes highlighted even more. In this case, Ms. AB valued two things above all: contributing to her church and her own freedom to spend money as she saw fit. It would be important for the Conservator to discuss in detail Ms. AB's wishes regarding support of her church. Is it the 10% tithing that Ms. AB stated to me or some other amount? This value can clearly be met even with a Conservatorship in place. The second value, freedom to spend as Ms. AB sees fit is more difficult to meet. Ms. AB, as documented above, demonstrated deficits in financial management and decision-making, along with a lack of awareness and ability to compensate. Under the

Trustee only scenario, she also demonstrated that she was unable to manage her finances without risk of waste or dissipation. One dilemma of person-supported care has always been when the desires of the older person outstrip the resources available, and yet the older person does not accept those limitations. The named Conservator will, undoubtedly, be hearing repeatedly from Ms. AB that she is restricting her cherished value of freedom.

Conclusions

The ecological validity of psychological assessments has long been questioned and across many domains (Lichtenberg, 1999). This clinical comment calls into question whether many of our financial capacity tests are indeed the gold standard. Conceptually, relying solely on hypothetical financial tasks and quizzes instead of also or alternatively using a person's own finances to analyze and quiz them on seems antithetical to a person-centered approach. The greatest value of a person-centered approach is the deep respect it conveys to the older person being assessed – that their financial management and decision-making methods and descriptions are worthy of the attention and concern of the clinical gerontologist. A new, alternative approach to financial management and decision-making assessment is offered in this clinical comment. Future directions include assessing the reliability of the assessment of person-centered financial management approaches, and where possible a comparison of person-centered and traditional approaches with regard to individual assessments of financial capacity.

Clinical implications

- Using a person-centered approach to assessing financial capacity can be a reliable and clinically useful approach.
- Person-centered tools and methods for analyzing actual financial management records and financial decision-making are available.
- The person-centered approach described in this clinical comment may be very useful in psycho-legal assessments.

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