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CONSUMER NEWSLETTER

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Timing the Transfer of Financial Control When Loved Ones Face Cognitive Decline

The Center for Retirement Research researched the impact of cognitive decline on financial decision-making in older Americans and the ideal time for a child or agent to take over day-to-day financial management.

It surveyed participants (https://bit.ly/3pmCbbq) in the Vanguard Research Initiative, a panel of account holders at the Vanguard Group, Inc., to get their opinions on the optimal time to transfer control once cognitive decline becomes a concern.

They could choose one of three options:
1. Immediately after the onset of cognitive decline
2. During further decline, but before completely losing the ability
3. When completely lose the ability

Most respondents (84%) prefer taking a middle ground, making the transfer after *some* cognitive decline but before completely losing their ability to manage money.

But by waiting too long, older people can make financial mistakes that endanger their long-term financial security.

Starting a money conversation is critical if you're responsible for eventually taking over your parents' finances. It's a touchy subject, and parents may resist giving up control, have trouble accepting their cognitive decline, and fear a loss of independence.

Here are some tips from Bank of America (https://bit.ly/43tesEN) and Charles Schwab (https://bit.ly/3NrAwcr) about raising the topic with parents and easing yourself into a new role.

Get an early start –To get a feel for their financial landscape, talk with your loved ones about money before an emergency strikes or cognitive decline begins. Expect the process to take time and know that it won't be a one-and-done conversation.

Offer your help – Make gradual changes and start by helping them open, review, and pay bills together. That way, they'll get comfortable with your involvement.

Automate billing – Simplify the monthly bill paying by automating bill payments and switching income streams to direct deposit.

Inventory financial and legal papers – Start making a list of account numbers and legal documents (birth certificates, insurance policies, and wills, for example), and be sure all the documents are in a secure spot.

Work with professionals – Work with an elder law attorney to be sure all the appropriate paperwork—estate planning and a power of attorney, for example—is in place, up to date, and fits the wishes and needs of your loved one.

Shopping Around for Mortgages Can Bring $100 in Monthly Savings

Searching for a better deal can pay off when looking for a mortgage.

According to the Consumer Financial Protection Bureau, you could save $100 a month on your mortgage by looking at multiple lenders.

Analyzing Home Mortgage Disclosure Act data from 2021 found that price dispersion—variation in mortgage rates among lenders for the same loan product—was around 50 basis points (.50%) of the APR..

That translates into a significant difference in monthly payments. For example, on a $300,000 loan with a 3% interest rate, opting for a 3.5% rate would increase the monthly payment by $82.

Since interest rates have risen significantly since 2021, the impact on monthly mortgage payments has become more pronounced.

With a loan amount of $300,000, the monthly payments for a 30-year fixed loan with a 6.5 percent interest rate and a 7 percent interest rate are, respectively, $1,896 and $1,996—a difference of $100 a month.

Still, finding a lower mortgage rate can be more difficult for older borrowers.

Research (https://bit.ly/3r39hh2) by the Federal Reserve Bank of Philadelphia found that older Americans face challenges getting a mortgage as they age and are more likely than younger borrowers to be rejected for such loans.

"I find that older borrowers face higher coupon rates on home purchase and refinance mortgages that were sold to Fannie Mae and Freddie Mac. Together, the empirical results suggest that, for a large part of the market for simple refinance and home purchase mortgages, older individuals who apply for such credit alone systematically face higher access barriers," wrote Natee Amornsiripanitch, the study's author.

The research found that the overall mortgage rejection rate was 17.5%. But for those in their 60s, that figure rises to 19% and to 20% or more for applicants in their 70s.

Even though it may be more challenging for those aged 60-plus to get a mortgage, it can be done.

Here are some tips:

1. If you last got a mortgage several years ago, refresh your knowledge of the mortgage process. Here are some resources:

- Consumer Financial Protection Bureau (https://bit.ly/3poTbhm)
- The Federal Reserve Board (https://bit.ly/44m8HcJ)
- U.S. Department of Housing and Urban Development (https://bit.ly/3NMKcQk)

2. Shop around. Get quotes from at least three lenders and compare each offer before deciding. Learn more at Money.com (https://bit.ly/44gOTan) and Bankrate (https://bit.ly/4319D53)

3. Check and raise your credit score. Here are some tips to improve your credit score from Experian (https://bit.ly/43Z798u) and Investopedia (https://bit.ly/3XtaGK2).

4. Show all your income sources. CNBC (https://bit.ly/46jo4V1) notes that even if you don't work, you can get approved by showing that you can pay for a mortgage. Income and assets could include:

- Social Security
- Pension
- Spousal or survivor's benefits
- Money from retirement accounts
- Annuity income

Area for member customization
(Style: Member Contact)
Member Name
Company name
Address
City, State, Zip
Phone • Email • Website