


The Construct of Financial Capacity in Older Adults

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The Construct of Financial Capacity in Older Adults



ABSTRACT

In the United States, older adults hold approximately 24% of the nation's wealth. The combination of wealth, cognitive decline, and impaired financial capacity is a growing challenge to our society. As America ages, one of the most pressing challenges facing older adults is living an independent and autonomous life. Financial capacity (FC) is one of the instrumental activities of daily living considered the single best predictor of capacity for independent living in older adults. FC issues arise when an older adult experiences cognitive loss or dementia. Therefore, the purposes of this article are to: (a) review the construct of FC focusing on older adults, (b) discuss the different models of FC, (c) describe ways to assess FC in older adults, (d) identify indicators of FC impairment in older adults, and (e) discuss implications for practice. (*Journal of Gerontological Nursing*, 48(3), 20-27.)

In the United States, adults older than 65 comprise 15% of the population and are also the fastest growing segment of the nation's workforce (Federal Interagency Forum on Aging-Related Statistics, 2012; Zickler & Madson, 2014). It is reported that older adults hold approximately 24% of the nation's wealth, and most of them keep their money in banks (Mannan & Sakamoto, 2012). The use of the Internet is slowly evolving as the future of banking. The confluence of aging, wealth, and technology may have a significant impact on older adults' capacity for independent living.

Physical and cognitive changes occur with normal aging, affect cognitive aptitude (Wagner, Mannan, & Hoad, 2010). With normal aging, the most basic cognitive function affected includes memory and attention (Gibby, 2007). As the most time-consuming sensory and perceptual abilities such as hearing and visual impairments occur with normal aging (Gibby, 2007). Lastly, executive function, which plays a key role in virtually all aspects of cognition, is a primary contributor to cognitive decline with age (Gibby, 2007). Structural and neuroimaging studies of the prefrontal cortex, which controls executive functioning, have shown prefrontal decline in volume and function of the prefrontal brain regions in older adults (Gibby, 2007). Issues related to loss of financial skills and capacity may arise from the normal aging process. This combination of wealth, cognitive decline, and impaired financial capacity (FC) in older adults is a growing challenge to our society (Mannan & Sakamoto, 2012). This becomes a pressing challenge for older adults' capacity to live an independent and autonomous life.

Capacity is described as involving both execution of tasks and decision making (Morgan & Murogopal, 2013). Capacity can be determined by evaluating the older adult's ability to perform activities of daily living (ADLs). There are three categories of ADLs—basic, instrumental, and advanced (Williams, 2011). Basic ADLs are skills required to perform daily self-care activities such as bathing, dressing, walking, and feeding (Williams, 2011). This is a measure of the fundamental functional capacity of a person to live within his or her home or community (Williams, 2011). Instrumental ADLs (IADLs) are tasks or activities that are not necessarily fundamental but allow an individual to live independently within the community (Williams, 2011). Examples of these activities include shopping, housekeeping, food preparation, and medication preparation (Williams, 2011). Lastly, advanced ADLs (AADLs) are tasks described as the "functional signature" of healthy older adults, which include volunteering and other recreational activities (Williams, 2011). FC is one of the IADLs considered the single best predictor of capacity for independent living in older adults (Knight & Mannan, 2012; Pora et al., 2008; Tuckler, Morris, & Ebert, 2005). FC issues may arise when older adults experience cognitive loss or dementia, which can have a significant impact on their ability to live independently and autonomously (Knight & Mannan, 2012).

Therefore, the purposes of this article are to: (a) review the construct of FC focusing on older adults, (b) discuss the different models of FC, (c) describe ways to assess FC in older adults, (d) identify indicators of FC impairment in older adults, and (e) discuss implications for practice. The terms capacity and competence are used interchangeably throughout this article.

WHAT IS FINANCIAL CAPACITY?

FC is a multidimensional construct that involves a broad range of pragmatic, conceptual, and judgmental activities ranging from the most basic skills of identifying and counting coins to more advanced tasks of paying bills and managing a checkbook (Widora, Scarpone, Mannan, & Sudaer, 2011). FC is defined as the ability to manage one's money and financial assets to meet his or her needs that are consistent with the individual's personal self-interest and values (Mannan, Hertz, & Solomon, 2011). FC, like other IADLs such as managing medications, driving, and using the telephone, is cognitively mediated (Meyer & Mannan, 2007; Meyer, Mannan, & Edelman, 2013). It is one of the eight cognitive domains of civil capacity which is relevant to older adults with cognitive impairment (Meyer & Mannan, 2007). Other domains include consent to medical treatment, research participation, social contact, testamentary consent, voting, driving, and independent living (Meyer & Mannan, 2007). There

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