



WhealthChat Executive Summary Brief

Cognitive Decline, Financial Decision-Making, and the Case for Protected Income

Executive Summary

The greatest threat to an older adult's financial security is often not a market correction, recession, or inflation. It's the risks created by health events and costs, including cognitive decline. As Americans live longer with chronic illness, the ability to consistently make sound financial decisions becomes increasingly fragile. Cognitive decline, ranging from normal aging to mild cognitive impairment (MCI) to dementia, directly undermines judgment, increases vulnerability to scams, and accelerates mistakes that can erode lifetime savings.

Note: The data sources in this brief can be found at Heye, Christopher "[Examining the Prevalence of Diminished Capacity](#)", Journal of Financial Planning, August 2022

Key Insights for Advisory Firms

- **Cognitive decline is widespread and unavoidable.**
An estimate 29% of adults 65+ already struggle with sound financial decision-making, due to dementia or MCI. By age 82, the chance of having either condition rises to 50%. By age 90, it exceeds 80%.
- **Financial abilities frequently deteriorate long before an official diagnosis of dementia.**

Research shows financial mistakes begin increasing well before dementia is detected. The “peak age” for financial decision-making is **53**, meaning most clients are already past their peak by the time they accumulate meaningful wealth. Missed bill payments often begin **six years** before an official diagnosis.

- **Cognitive decline drives real financial risk.**

Declining memory, impulsivity, and susceptibility to scams increase the probability of unplanned withdrawals, risky reallocations, or exploitation. Families face both immediate financial harm and longer-term erosion of retirement security.

Strategic Implications for Wealth Management Firms

- **Reduce reliance on ongoing decision-making.**

As cognitive load increases, the risk of errors rises. Firms should emphasize *simplification, automation, and consolidation* across accounts and transactions.

- **Encourage protected income strategies.**

Annuities and other protected income products reduce the need for repeated, discretionary financial decisions, thereby lowering the risk of mistakes and shielding clients during periods of cognitive or physical incapacity.

- **Frame protected income as risk management, not product selection.**

The conversation is not about “selling an annuity”. It’s about building an autopilot system that protects clients from the financial consequences of aging.

- **Plan early, ideally well before decline becomes visible.**

Because cognitive changes often go unnoticed until damage occurs, proactive planning while clients are in their 50s and 60s is essential.

What This Means for Advisory Firms

Advisors occupy a pivotal role in helping families navigate the long arc of cognitive aging. Strengthening client protection means:

- Identifying early signs of cognitive decline
- Simplifying client financial accounts

- Implementing decision-minimizing strategies
- Educating family members and incorporating trusted contacts
- Ensuring predictable, stable income flows that do not require ongoing financial judgment

Bottom Line

Cognitive decline is not a niche risk. It is a universal and predictable stage of aging. For firms committed to durable retirement outcomes, **protected income is both a behavioral safeguard and a risk-mitigation tool**, reducing reliance on complex decision-making precisely when clients become least equipped to manage it.