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Plan early for the financial risks of a dementia diagnosis

As the average life expectancy continues to climb there's an increase in the diagnosis of cognitive decline, including Alzheimer's disease and other forms of dementia.

Caregiving for someone with Alzheimer's, or other forms of dementia, takes an emotional, financial and physical toll. But various resources are available for support, regardless of whether you are planning ahead or in the throes of caring for someone in the early, middle or advanced stages of Alzheimer's. Your financial professional can help you with wealth planning at whatever stage of life and cognition you and your loved ones are experiencing.

Advanced planning is beneficial for all ages

Because of the frequent financial impact of a dementia diagnosis for both caregivers and their loved ones, advanced planning is recommended. A thorough plan for cognitive decline may include your power of attorney, health care directive, will and beneficiary designations. Anyone, regardless of age, goals or circumstances, can benefit from planning for dementia and sharing those plans with loved ones. Here are some benefits to planning before a diagnosis is made:

- You learn your loved one's wishes.
- You can have more confidence in making decisions for what the person wants.
- It helps prevent costly spur-of-the-moment decisions.
- It helps relieve anxiety of the unknown.
- It provides focus without the weight of "what if."

Your financial professional can be a helpful resource as you and your loved ones develop and implement your plans for financial well-being throughout the aging process, including planning for a potential dementia or Alzheimer's diagnosis.

Fraud facts and common scams

Nearly 7 million Americans are living with Alzheimer's and by 2050 the number is projected to be about 13 million, according to the Alzheimer's Association. Unfortunately, while the diagnoses of dementia are increasing, so are the cases of those preying on vulnerable adults, creating a need for families

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to develop plans to help protect their wealth. Financial fraud is on the rise to the tune of $8.8 billion in fraud losses reported in the U.S. during 2022, according to the Federal Trade Commission. While financial fraud and scams have no age bounds, older people who become victims often experience much higher losses. People who are living with dementia are at greater risk because of their cognitive decline.

It's important to be aware of and on alert for potential scams, fraud and identity theft, which affect millions of Americans each year. Incidents of financial fraud are increasing, as is the sophistication. Some of the common scams today include:

Business imposter scenarios — Scammers pretend to be from your bank, the IRS, law enforcement, a store or a company and require payment in lieu of negative consequences.

Romance scams — Scammers spend time developing an emotional relationship—often online—and once gaining trust, ask for money. Sometimes a scammer claims to be your real-life relative who needs money to return home or to reach safety.

Posing as caregivers — Scammers exploiting an elderly person, who may have cognitive decline, act as caregivers, calling every morning to ask how you slept, if you took your meds, etc., and eventually gather banking information or other knowledge to achieve financial gain.

Prize winning schemes — These scammers say you won a prize or the lottery but tell you that fees or taxes need to be paid up front for you to receive the prize.

Claims to be investing for you — Scammers say they are investors helping you grow your money quickly and that they have set up a crypto wallet for electronic payment from you.

Tips to help prevent fraud

In addition to being aware of current fraudulent schemes, consider the following proactive measures.

- Block and filter telephone calls
- Don't answer unknown calls
- Feel free to hang up if you feel a red flag
- Make social media accounts private
- Be aware of what you share in social media
- Don't click on pop-ups
- Don't click on links you don't trust
- Update device software regularly
- Perform password maintenance and use multi-factor authentication
- Safeguard devices with professional technical support
- Consolidate investment and bank accounts
- Establish a trusted contact person
- Set up auto bill pay
- Call and verify payment instructions with your trusted professionals
- Remember gift cards and crypto are not valid payment methods for governmental agencies or other bills
- Stop and call someone you trust to ask for help as needed

Reporting financial fraud and scams

Financial fraud can affect anyone—regardless of age or health condition—so if a situation arises with a loved one, especially one who has a dementia diagnosis, focus on their well-being and not the money. Report the occurrence or suspicious situation immediately. It's normal to feel embarrassed, but don't let that prevent you from reaching out and taking immediate action with these steps:

- Contact your financial professional
- Report to the Federal Trade Commission by calling (877) FTC-HELP
- Report to the Federal Bureau of Investigation online at ic3.gov
- Report to your local police or sheriff department
- Contact your banks
- Contact credit bureaus
- Change your passwords

For additional information on reporting fraud and scams, as well as helpful tips on recovery from such instances, ask your financial professional for the 2023 fraud and scam recovery guide.

A successful family business deserves a succession plan

If you own a family business, you work hard every day to make it successful. Beyond the money you earn, it is a source of personal pride. And you likely feel a strong sense of responsibility to the customers you serve and the employees who depend on you for their livelihoods.

If you are thinking about exiting your business to enjoy a well-deserved retirement—and keep your business going after you leave the scene—it is essential to plan for business succession.

Unfortunately, your peers in the business owners' world have a mixed record in creating a full wealth-transfer plan. In fact, just 39% of them have such a plan in place, according to the Business Owners & Wealth Transfer report from RBC Wealth Management.

For your business—and your family—to continue to be successful financially, you need to begin your succession planning by considering the human side. Talk to family members about their wishes. Who really wants to be involved in running the business? What are their personal and financial goals? And how can you be fair to others who may not want to work in the business but still deserve some of its financial benefits?

Once you have answers to these and other pertinent questions, you can investigate the legal and tax aspects of business succession planning. Essentially, you can sell the business, or you can give it away. There are many ways to transact a sale or make a gift.

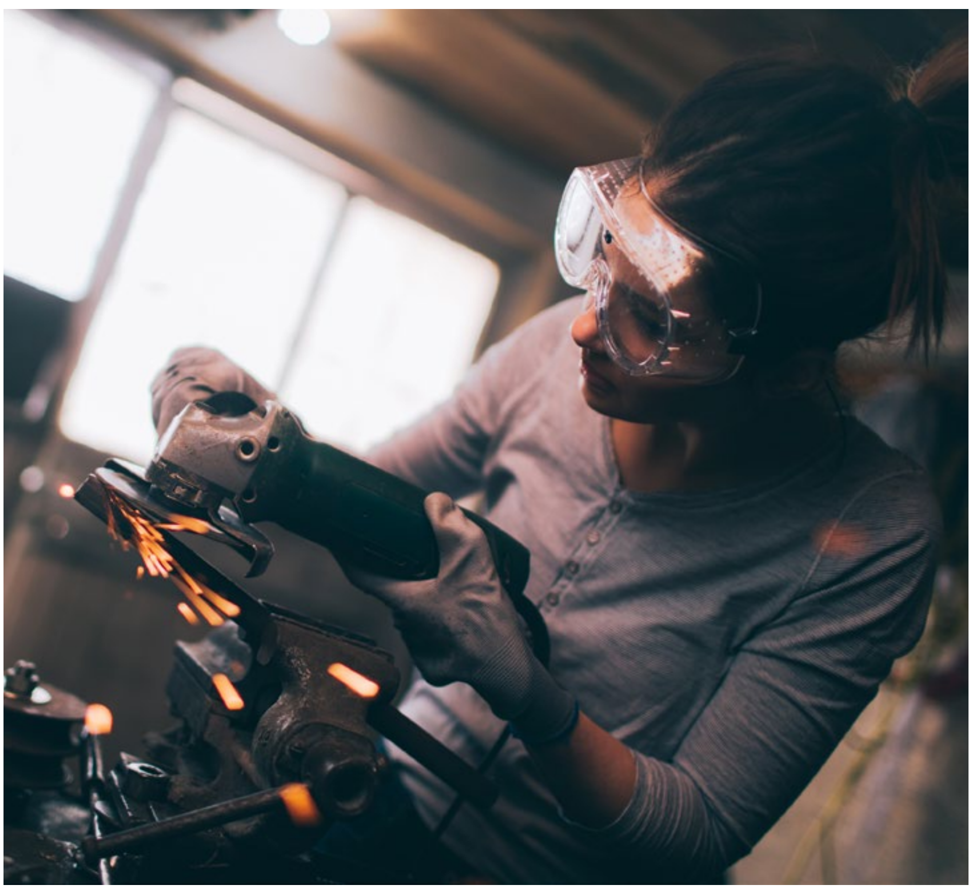
To sell your business, you might consider a buy-sell agreement—a legal contract that obligates the parties to the succession plan. You can structure it to create liquidity at the needed time, establish a fair price for your business, fix the value of your business for estate tax purposes and confirm business continuity.

Other ways to transfer your business may include establishing a grantor retained annuity trust or an intentionally defective grantor trust, which is designed to shift the burden of taxes to assets listed in the trust. You may also consider structuring your business as a family limited partnership or a limited liability company. These strategies may help you transfer your business to heirs.

Should you have philanthropic intentions for your business, a charitable remainder trust may offer a mechanism to create income for you as well as to accomplish your legacy and estate planning goals. A family foundation may be another alternative to explore if you have charitable wishes for your business.

These are just a few suggestions that may work for your family. Succession arrangements are often complex, especially since your business may be one of your largest retirement income assets and a significant estate planning consideration. Be sure to consult with your tax and legal advisors to help confirm you are picking a plan that is appropriate for your business and family circumstances.

To learn more about the financial and investment aspects of business succession planning, contact your financial professional.



Pay attention to what your cash is doing

With interest rates at the highest level since 2007, managing cash in your wealth plan may be a little trickier. Due to higher loan interest rates, having liquidity in your portfolio may help you save significantly when making large purchases.

When you don’t need liquidity, your cash should still be working for you. Many investors use a three-bucket approach for cash management.

Operating cash

This bucket is designed to handle daily operating costs up to a six-month time horizon. Use this bucket for paying bills and living expenses. Work with your financial professional to find a low-risk investing option that keeps this cash immediately available.

Core cash

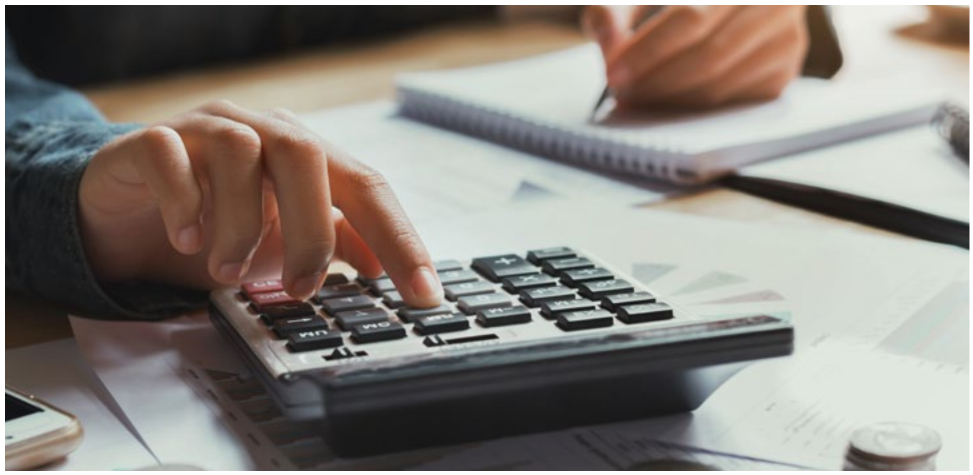
When it comes to covering semi-annual and annual expenses, or other annual events like holiday gift purchases, the core cash bucket should be designed with a six-month to year-long time horizon. Liquidity is less important for this bucket, so work with your financial professional to look for low-risk and incremental yield investing options.

Strategic cash

Any longer-term large purchase plans for one to two years fall into this cash bucket. Many investors include needs like tuition payments and retirement savings in this bucket—items that have known payment dates. Liquidity is well-defined thanks to those known dates, allowing you to consider investment options and optimize risk and return for this bucket.

Choosing cash solutions

Once you’ve identified your short-term and longer-term cash needs, there are many options to allow you to balance your specific liquidity, risk and planning goals.



Traditional bank and brokerage solutions — CDs and fixed income securities are two traditional options for cash investing. CDs tend to offer potentially higher yields, but have lower liquidity. Plus, they can include Federal Insurance Deposit Corporation (FDIC) protection up to $250,000 per depositor and per insured bank, subject to FDIC insurance limits. Fixed income securities offer periodic interest payments, return of principal at the end of the term and liquidity on the secondary market. Risks for fixed income include that the return of principal is determined by the creditworthiness of the issuer and liquidity values may fluctuate.

Cash sweep options — Automatically sweep uninvested cash from your account into RBC Insured Deposits, offering FDIC protection on cash balances up to $5,000,000 ($10 million for joint accounts). You also have access to the RBC Cash Management Account, which offers a variety of features to help you accomplish your operating cash goals.

Achieving liquidity with strategic financing

There may be times when unexpected cash needs happen outside of your careful planning. Setting up an RBC Credit Access Line, offered by Royal Bank of Canada, in advance may help you gain same-day access to cash while maintaining progress toward all your other important financial goals.

RBC Credit Access Line leverages your investment portfolio for your shorter-term and immediate cash needs when liquidity may provide a challenge. It offers competitive borrowing rates and flexible repayment terms. In addition, you may be able to avoid potential tax liabilities—like capital gains taxes—and costly transaction fees that may interrupt your wealth plans. Be proactive and consider opening an RBC Credit Access Line today so it’s ready before you need it.

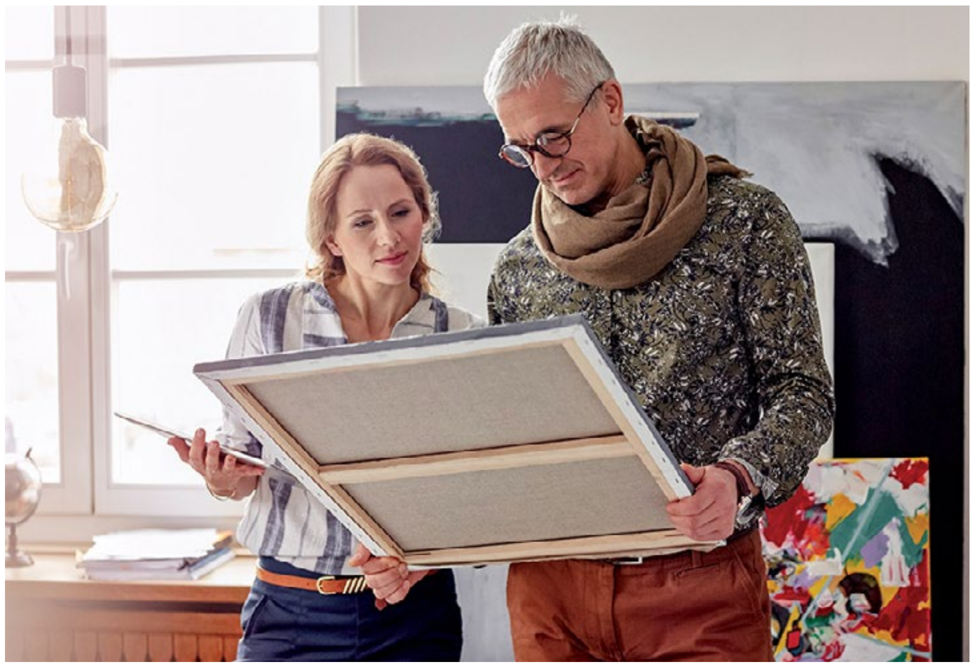
Keep cash and liquidity top of mind

Work with your financial professional to determine your cash buckets and cash-appropriate investing options to help you achieve your wealth goals.

How to work antiques and other valuable collectibles into your estate plan

One important aspect of estate planning often overlooked is collectible assets like artwork, antiques and even historical memorabilia. Awareness of these types of assets grew during the pandemic as people spent more time at home cleaning and organizing. For some, that led to finding out that they have been sharing their homes with valuable collectibles, memorabilia and antiques. Due in part to these discoveries, a recent boom in buying and selling collectibles has led to a spike in prices.

Sales of collectibles in the United States increased 142% in 2020, according to eBay, with non-U.S. sales surging 162%. Some spectacular sales captured media attention and sent more people searching for treasure in their storage bins. Not every collectible is going to fetch a huge return, but your piece of art, antique car or rare Pokémon card could still have plenty of value. And no matter what you might have in your possession, if it has value then you should consider incorporating it into your estate plan.



Valuation for collectibles

While some avid collectors track the value of their trading cards or rare books, many people lack information about the value of what they own or inherit and may not know where to start.

If you find something you're not sure about, especially if you don't know if it's worth $10 or $1 million, you need to find a valuation expert who handles that type of asset. Many collectibles, such as coins and trading cards, are valued based on their grade, so you can start by investigating grading services.

If you have an old car, you could begin the valuation process by contacting an automobile club or a group with an interest in a particular brand of car. Similarly, an auction house is a good source for experts on art, antiques, silver, china and other collectibles.

No matter what you own, at a minimum, go online and do some research before selling anything at a garage sale or giving it away.

Protecting your collectibles

Depending on the value and condition of an item or a collection, you may need to invest in special storage, such as a glass case, safe-deposit box or secure garage to maintain the item's condition. This may also include extra insurance coverage for special items such as art and jewelry.

If storage and insurance are significant expenses to protect the valuable item, you may want to plan for that in your estate to assist the next generation's ability to defray those costs. For example, you could purchase a life insurance policy in an irrevocable trust to provide liquidity for your heirs to help them pay estate taxes and the cost of maintaining your collection.

Distribution and estate planning

It's important to work with your financial professional as you consider gifting, donating or selling your valued items as part of your estate planning process. Thorough planning can help effectively incorporate your collectibles into your estate, which means that your wishes for that treasured trading card or family heirloom can be followed in the future—even if you only just re-discovered it after many years.

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- You will be required to deposit additional cash or securities, or pay down the line of credit, should the value of your securities decline below the percentage equity you must maintain or the percentage equity you must maintain increase. During a market downturn in which the securities in your portfolio decline in value, the percentage equity you must maintain will cause your losses to be greater than if there were no loan against your portfolio. Your losses can exceed your original collateral amount.
- You are not entitled to an extension of time to satisfy equity percentage requirements.
- Should you be unable to maintain the required percentage equity, some or all of your securities may be sold without prior notice to you. In the event of such a sale, you will not be entitled to choose which securities are sold, your long-term investment strategy may be interrupted and you will be responsible for all resulting fees and tax consequences.
- Royal Bank of Canada may increase equity percentage requirements at any time without prior notice to you and may require you to pay down your line of credit, in part or in full, at any time and for any or no reason.
- The rates, terms and conditions of your RBC Credit Access Line are subject to change in accordance with the terms of the RBC Credit Access Line agreement.
- Should the rate of your RBC Credit Access Line be set to float against an index, you will be subject to greater interest costs in a rising interest rate environment.

RBC Credit Access Line is a non-purpose facility. The proceeds of an RBC Credit Access Line may not be used to purchase, trade, or carry margin stock or repay a margin debt that was used to purchase, trade, or carry margin stock. Royal Bank of Canada may demand repayment of all proceeds of RBC Credit Access Line advances that it has reasonable basis to believe were used to purchase or carry margin stock.

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