

Managing money in later life: mental capacity assessment and support

Executive summary

Dr Alex Hall

Dr Christina Straub

Professor Debora Price

Professor Nicola Glover-Thomas

March 2023

Context

This research focuses on what happens when older people experience difficulties in managing their money. The ability to manage money is one of the most important skills a person needs to be independent, but many people lack financial skills and understanding. It is particularly important for older people, who in addition to managing day-to-day finances, are required to make major financial decisions associated with later life. However, the ability to manage money is highly sensitive to changes in thinking and reasoning skills, which may occur naturally through ageing, or through illnesses such as dementia that tend to occur later in life. These changes are stigmatised and often hidden by families. People who struggle to manage their own money are particularly vulnerable to financial abuse. We know very little about how older people who may be experiencing cognitive decline are supported to manage their money.

In this study, we aimed to explore how social care/social sector professionals, older people and their families attempt to address challenges in managing money.^a Over the last two decades, there has been interest worldwide from policymakers and researchers in the financial capability of older people. This is an increasingly critical topic for the United Kingdom, where there are rising numbers of people with cognitive impairment and dementia in a population that is ageing and becoming more diverse. Older people are required to interact with financial products and services at later and later ages. This is because of a proliferation of increasingly complex products and services, and the rise in scammers; but also because of key policy changes such as the ability to cash in pensions at age 55. In the last 20 years, there have been substantial changes in the ways that financial services are presented and sold to consumers, including the dominance of telephone and online methods of communication, and digital apps. Some older people are unwilling or unable to use digital technologies and are sceptical about the safety of online banking. As we expect individuals to manage ever more complex financial decisions until the end of life, concerning housing (including equity release), income, savings, pensions, debt, benefits and the costs of care and health, it is vital to understand what happens if older people start to experience difficulties with managing money.

Since 2007, the Mental Capacity Act 2005 (MCA) provides the framework for determining someone's ability to make decisions and how to make decisions for those that are unable to decide. Capacity must be assumed at the outset and any assessment of capacity is decision and time specific. Managing money involves a broad range of decisions and skills; in practice, a person may have the capacity to buy a pint of milk for their breakfast but could struggle to enter a pension investment plan. A person with cognitive decline may understand the decision that must be made and be able to make the decision ('decisional capacity') but may not have the ability to carry out the decision in practice ('executorial capacity'). Since the

^a We use the terms 'social care' and 'social sector' in a broad sense to refer to the range of non-clinical support services available outside the National Health Service. This includes local authority adult social care services, other public and private sector roles and organisations such as housing associations, charities and private care providers.

enactment of the MCA, there has been considerable debate about the relationship between the law and people with cognitive decline. This discussion has principally focused on the loss of capabilities to make medical, social care and welfare decisions. The ability to make financial decisions has largely been ignored. In health and social care, MCA knowledge and practice is patchy and irregular, marked by inconsistencies and substantial gaps in support. In the context of dementia, post-diagnostic support with financial management is a major area of unmet need, as over a third of people are not offered any discussion about financial-legal aspects of future planning such as Lasting Power of Attorney.

Aims and approach

This study had three aims. The first aim was to identify the professional and public information resources that are available to guide assessment and support to manage money. We searched the websites of major relevant national organisations relating to health, ageing and consumer/money advice, and relevant occupational groups. We extracted key information about how declining mental capacity and personal finances is presented in the resources that we identified. The second aim was to explore the experiences of social care/social sector professionals, older people and their families of this topic. We spoke to people in Greater Manchester between October 2021 and October 2022. We interviewed 28 professionals working in a range of roles in local authority, private sector and charity/non-profit organisations that provide support for older people. We interviewed 13 older people and/or family members with experience of supporting an older relative to manage their money. We analysed the interviews by looking for key themes. The third aim was to look at how the information resources and interview themes came together into a bigger picture.

We consulted extensively with members of the public before and during the study. The initial idea was explored in 2019 with 52 older people and care professionals. During the study, we were supported by an advisory group of seven people with personal experience in the topic area.

Findings

We identified four main themes, relating to (i) the **identification** of problems with capacity to manage personal finances, (ii) the complexities of the **law and procedures** in this area, (iii) the **support** that is available to people, and (iv) the role of **emotions** in managing money.

In summary, formal and detailed assessment relating to specific aspects of money management appear to be lacking, and judgements about someone's ability to manage money are often made informally and based on general impressions of ability to live well. Understandings of legal issues and procedures regarding mental capacity and money management appear to be highly variable among the public and professionals. This highlights the challenges of developing both a factual

understanding of laws and procedures, and a sophisticated understanding of how to navigate support. There is a lack of training for professionals in the application of the MCA to financial decision-making. There is a lack of clarity around roles and responsibilities for providing support to older people to manage money, and a reluctance of professionals to become involved. The support available often takes the form of signposting to other sources of advice, under an approach to care which seeks to empower people to make decisions for themselves. Given the generally limited levels of financial literacy at a population level and the difficulties leading to the referral, it is not clear how far this approach is empowering in this context. Underpinning behaviours in relation to money are a deeply complex array of emotions, both for those who are yielding control of money management and those providing support – either family or professional.

In the public information resources, there is some recognition of the complexity of what is meant by capacity to manage money, but it is often portrayed as one overall skill with a clear threshold of competence (e.g., ‘when a person can no longer manage their money’), whereas in reality, it involves different types of decisions that require different levels of capacity. Lasting Power of Attorney is usually presented as being a safety net in place for ‘when it is needed’. This implies that all involved will be able to identify this moment and will agree that it has arrived. There is very little indication that people may change their perspectives, or that progressive cognitive decline may cause people to become in denial that they are experiencing difficulties, or suspicious of their relatives to whom they have previously granted Power of Attorney. There is also little in the documentation to suggest that the role of surrogate decision-maker may be challenging. Although appointing surrogate decision-makers is acknowledged as being a potentially difficult conversation, it is then presented in terms of processes that are supposed to happen (i.e., once Lasting Power of Attorney is registered, the attorney will be able to interact with financial institutions seamlessly). There is little advance warning for people that these processes may not always work as they should and that it may be an extremely demanding experience, within families and externally.

In the professional resources, overall there is a lack of clarity about how people’s capacity to manage money should be assessed and how people may be supported to manage money. In general, the topic of personal finances is explicitly mentioned under safeguarding and financial exploitation, and is alluded to in more general discussions of person-centred care. Given the centrality of managing money to social functioning, and the known sensitivity of money management skills to cognitive decline, it is surprising that the topic is not explicitly addressed in detail around daily support, particularly when there is detail on other specific aspects of care such as nutrition and medicine. The emphasis on signposting mentioned by many of the participants in this study aligns with practice guidance. However, given the complexities of finance, the extent to which signposting genuinely represents the empowerment and support for autonomy that is in so much of the practice guidance is not clear.

Multiple combinations of the four themes exist, for example:

- i. The lack of formal, specific assessment ('identification') may be related to a lack of clear legal understanding among the majority of professionals who see themselves as unqualified to make this assessment ('law and procedures') or as not responsible for practical support ('support').
- ii. The lack of formal, specific assessment ('identification') may be related to the deeply personal nature of money and the threat posed by the implications that one does not have capacity ('emotions').
- iii. The emphasis on signposting people to other sources of information ('support') may be justified by an empowerment ethos but also may arise in part from professional discomfort and reluctance to become involved in the topic of money management ('emotions'). The extent to which signposting constitutes empowerment in the context of managing money ('support') is debatable given the complexity of the area ('law and procedures') and the emotional labour involved in decision-making and surrogate decision-making around money ('emotions').
- iv. The emphasis on bureaucratic procedural fidelity—and misunderstandings—by some financial and consumer organisations ('law and procedures') may be insensitive to people's experiences of taking on responsibility for managing the finances of someone who has lost capacity, which may be extremely distressing, frustrating, and difficult to manage ('emotions').

Conclusions

There is a need for:

- A dedicated and proactive strategy for the topic of financial capacity within the social sector to ensure timely support that may prevent crises. Such strategy should contain greater clarity around roles, responsibilities and approaches to the provision of support, including greater attention on advocacy services. Strategy development may benefit from a multi-agency approach involving the social, legal, debt and financial services sectors to enable critical consideration of what support the social sector can provide that does not extend into the domain of regulated financial advice, and also what constitutes regulated financial advice in this context.
- Better training for professionals in a wide range of social care and social sector roles regarding financial capacity assessment and support. Training should be realistic, context-specific and embedded as core training, and be able to address issues of fluctuating capacity. It should involve older people in its design and delivery.
- More concise and accessible information about the key issues regarding financial capacity and surrogate decision-making.
- More support to be available to people regarding the practicalities of day-to-day money management.
- More explicit recognition of the emotions that underpin (surrogate) financial decision-making, and the likelihood that decision-making and acting on someone's behalf will not necessarily be straightforward.

A close-up photograph of a hand holding a piggy bank. The piggy bank is filled with various British coins, including 1p, 2p, 5p, 10p, and 20p coins. A £5 banknote is also visible, partially tucked into the piggy bank. The background is a soft, out-of-focus light color.

© University of Manchester 2023

This work is licensed under the Creative Commons Attribution 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by/4.0/> or send a letter to Creative Commons, PO Box 1866, Mountain View, CA 94042, USA.

Full report:

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=65801>

One-page summary:

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=65804>

Plain English summary:

<https://documents.manchester.ac.uk/DocuInfo.aspx?DocID=65807>