

FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



An age-old challenge

Making good financial decisions can get harder as you grow older

Have you ever gone grocery shopping and left with everything except the one item that made you go in the first place? Did you ever frantically search for your reading glasses, only to find them atop your head?

We might lightheartedly call these “senior moments,” but in a more serious light, age-related lapses could affect your financial decision-making.

Changes in how your brain manages memory, thinking and other mental processes has a scientific-sounding name: cognitive aging. Many folks continue to handle their finances well into their later years, but even those with perfectly healthy brains experience cognitive aging. It doesn’t happen overnight, but rather over time. And like other age-related changes, it tends to happen differently for each person.

FLUID THINKING

Fifty three years old – that’s the age a person’s financial decision-making ability peaks, according to a Harvard University study. This is the age that people have substantial amounts of experience – called crystallized intelligence – but only modest declines

in their problem-solving ability, called fluid intelligence.

David Laibson, an economics professor at Harvard and co-author of the research, said he believed that crystallized intelligence tends to plateau when people reach their 70s. That plateau, along with declining fluid intelligence, might explain why older folks made more financial mistakes than middle-age ones in his study.

To be clear, cognitive aging isn’t a disease (unlike Alzheimer’s, for instance). Your brain’s neurons are basically fine, they’re just not working as well or as quickly as they used to. As a result, our ability to use logic and solve problems – fluid intelligence –

Early warning signs

- ▶ Difficulty with math
- ▶ Overlooking details
- ▶ Slowness in finishing tasks
- ▶ Decreased comprehension of concepts
- ▶ Trouble identifying risks



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An age-old challenge (cont.)

declines. This can interfere with financial decisions that require an understanding of the underlying concepts and the ability to weigh risks and rewards.

You can begin to understand the challenges when you consider these cognitive changes. There is a decrease in how quickly you process information. You may have more difficulty weighing complicated decisions. You become easily distracted, requiring more effort to focus. You may also tend to have trouble with situations that generate negative emotions – making it more difficult to engage in planning for unpleasant eventualities.

BUT THERE'S GOOD NEWS

The sheer knowledge you have accumulated over years of living makes you better at assessing new situations. Most people of a certain age are more adept at getting to the heart of issues than they were when they were younger.

You're also less likely to rush to judgment and more likely to reach the right conclusion based on the information at hand. This can be an enormous help in everyday problem-solving, from planning the most efficient way to do your errands to managing your staff at work.

Case in point: In a study of pilots and air-traffic controllers, those over 50 took longer than those under 50 to master new equipment, but once they had, they made fewer mistakes when using it.

How is it possible for older people to function better even as their brains slow? “The brain begins to compensate by using more of itself,” explains Dr. Bruce Yankner, professor of genetics and co-director of the Paul F. Glenn Laboratories for the Biological Mechanisms of Aging at Harvard Medical School (pew, test your memory by repeating back that title).

He notes that MRIs of a teenager working through a problem show a lot of activity on one side of the prefrontal cortex, used for conscious reasoning. In middle age, the other side of the brain begins to pitch in. In seniors, both sides share the task.

Now that you've had a moment to digest all of this, what can you do going forward? What precautions can you assimilate into your life to preserve your financial integrity?

NOW THAT YOU'RE OLDER AND WISER

As you move beyond your 60s, it's a good time to start organizing and simplifying your financial life. Consolidating your accounts in one reputable institution is a great idea. So is using specialized software to securely store and share digital copies of important financial documents. Above all, continue to count on your financial advisor to help you make decisions in your best interest.

Another thing you'll want to do is to share your financial details with trusted family members. Engaging them early on can help protect your financial health.

The important thing to take away is now that you know aging can change your financial decision-making, you can counter with how you deal with it. After all, you still have a good head on your shoulders. ■

NEXT STEPS

- Have a conversation with your financial advisor.
- Consolidate your financial accounts.
- Organize your financial documents.
- Engage trusted family members.



Intelligence times two

These two distinct parts of general intelligence play a role in making important decisions.

Fluid intelligence

The ability to use logic and solve problems in new or novel situations without reference to preexisting knowledge.

- Ability to reason
- Ability to learn new things
- Ability to think abstractly
- Ability to solve problems
- Declines with age
- Relevant quote: “You can't teach an old dog new tricks”

Crystallized intelligence

The ability to use knowledge that was previously acquired through education and experience.

- Prior learning and past experiences
- Based on facts
- Increases with age
- Peaks later in life, around age 60 to 70
- Relevant quote: “There's no substitute for experience”



9 ways to boost your brain power

When you think fit, think brain fitness. Vow to break from routine and focus on strengthening your body AND your mind. The idea of losing a step or two worries many of us, especially those who find themselves forgetting things more often than they like. In most cases, occasional lapses can be attributed to stress or multitasking, which can distract your brain, causing you to become unfocused and less productive. The good news? While there's a lot we still don't know about the brain, research has shown that the brain can benefit from activities to boost its strength, flexibility, resilience and endurance. Proactive measures may improve memory, creativity, attention span, problem-solving and, perhaps best of all, support a long, happy and healthy retirement.

- 1 New territory** – Clear more neural pathways by learning a new language, instrument, skill or hobby. The challenge of the unknown boosts brain resilience, as well as memory retention, coordination and high-level thinking.
- 2 Purposeful mindset** – Build endurance and resilience by defining goals for the week or the month. A reason to wake up every morning helps you transition when life changes.
- 3 Healthy habits** – Promoting a healthy brain through exercise increases blood flow to the brain, reduces stress, stimulates adaptive capabilities and helps you focus. Aerobic exercise just twice a week could lower your risk of Alzheimer's by 60%.
- 4 Social circles** – A meaningful social life, including volunteering, improves executive function and memory. Social interaction means more engagement and lower risk of cognitive impairments.
- 5 Restorative sleep** – Sleep restores the mind, rebuilds and repairs neuron pathways, reduces stress, and helps create long-term memories. Learn good sleep habits as well as de-stressing techniques such as deep breathing or spending time with family and friends.
- 6 Lifelong learning** – A lifelong habit of learning and engaging in mentally challenging activities benefits memory as well. Try your hand at physical puzzles, Sudoku and crosswords; learn new skills, hobbies or languages; and challenge yourself with brain games such as Luminosity.

Sleep deprivation impairs quality and accuracy of work (31%), clear thinking or judgment (31%) and memory of important details (30%).

- 7 Complex thinking** – Jobs or activities that involve complex, detailed work carry a lower risk of memory loss than those that are less intellectually demanding.
- 8 Positivity** – Starting your day with a mental accounting of things to be grateful for contributes to brain health and performance. Reframing events with positive thinking increases adaptability and resilience as well.
- 9 Tranquility** – Silence digital distractions in favor of a good book, meditation, journaling or some other relaxing activity to help focus your mind and improve concentration. ■

NEXT STEPS

Develop your training program

Set goals: Identify skills to strengthen.



Plan: Create a plan that builds on the functionalities you want to improve. Discomfort stimulates growth.

Implement: Build resilience, endurance and flexibility through challenging activities.

Repeat: Practice helps combat atrophy.



(Em)power your life

Tech your halls to make living at home easier than ever

For 69-year-old New York City native Mrs. Taylor, a visit to her sister on the West Coast left her with an unfortunate souvenir – an injured knee. Four months later, it hadn't healed well, so she took a trip to the ER, where she was given two choices: wait to talk to a doctor in person or chat now with one live on a screen. She reluctantly chose the virtual experience. Awkward at first, she began to feel at ease within minutes.

According to a May 2020 survey by the Better Medicare Alliance, 52% of seniors said they'd be comfortable using telehealth to access care and 24% said they've used telehealth during the COVID-19 crisis.

Many boomers are embracing technological advances for what they can add to their quality of life and independence. Let's look at some of the latest tech gadgets and gizmos that can add new-found freedoms to your second act.

The active aging industry – which includes safety and smart-living technologies, health and remote care, and wellness and fitness technologies – is expected to reach nearly \$30 billion, according to a report by the Consumer Technology Association.

Innovations include VR headsets for seniors with Alzheimer's and cloud-enabled fall detection watches. Source: CNBC, 2019

CUDDLE WITH A COMPANION THAT DOESN'T SHED

Emotional connections are critical to helping us stay healthy as we age. If you can't have a real-life pet, consider a snoring, cuddly Tombot. A few minutes spent with one of these furry Labrador

robot pups and you may begin to wonder if it's really real. They are responsive to touch and to voice commands.

Or try the ElliQ, an assistant dubbed the sidekick to happier aging. It fits easily on your desk, can recognize your face, learn your music preferences and schedules, and make suggestions such as going for a walk or calling your grandchildren.

GET SMARTER SENSES

If you're living with macular degeneration, try NuEyes electronic smartglasses, which offer more freedom by using a camera to project images onto the glasses right in front of your eyes and responding to voice commands to adjust the settings.

And if you're living with hearing loss and afraid to take the plunge for hearing aids, try the Livio AI. It can stream music, answer questions like a smart assistant would, translate conversations into your language and more.

KNOW WHEN TO (LET SOMETHING ELSE) FOLD 'EM

When it comes to laundry, it's not the sorting and loading the machines that's the pain – it's the folding. FoldiMate wants to do the work for you. Simply clip each piece into the machine, press a button and watch it turn out neatly stacked clothes, ready to put in the drawer. ■

NEXT STEPS

- Do an online search of the latest tech gadgets.
- Read any reviews before making a decision to buy.
- Use these items to make life easier for yourself.
- Talk to your advisor about budgeting for tech upgrades.

Sources: Pew Research Center Internet & Technology; AARP Home & Family Personal Technology; International Journal of Emergency Medicine

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