Talking to Your Aging Parents about Money

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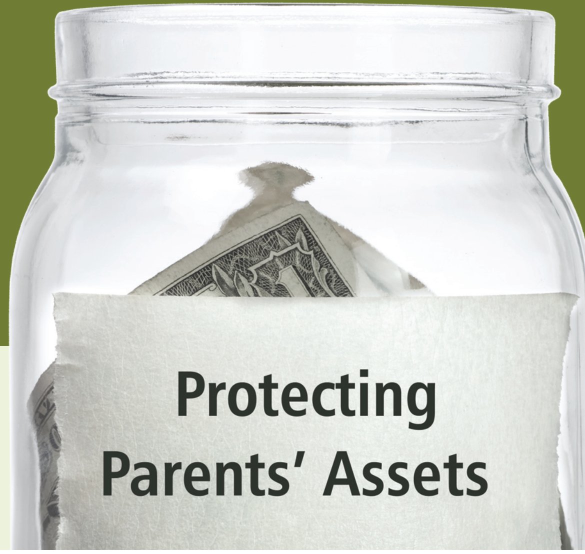
Pennsylvania Institute of Certified Public Accountants



Speaking with your aging parents about their financial situation ranks right up there with making your own will. Let's face it: it's awkward.

Awkward or not, it's important for adult children to know about and understand their parents' finances. From knowing if your parents have enough money to last through their retirement, to understanding their wishes should they become incapacitated, to protecting them from unscrupulous people who prey on the elderly, your involvement is vitally important.

Getting Started

- **Start the conversation.** This is always the hard part, but don't let that deter you. Find a way to broach the subject so it doesn't sound like you no longer trust your parents' judgment to make decisions. Let them know you want to understand their financial situation so you can help keep their affairs in order. You may find that your parents are relieved to have someone else to help monitor this important aspect of their lives.

- **Timing is everything.** Get this dialogue started with your parents sooner rather than later. Don't wait for a crisis before making a crucial decision. Studies tell us that as we age we eventually begin to lose mental clarity. Be proactive with your conversations so your parents can clearly define their wishes before their age starts affecting their decisions.

- **Play an active role.** You can learn a lot by sitting down and having your parents show you their bank statements, wills (make sure you have one, too), investment accounts, and so on. Ask to go with them the next time they meet with their financial planner. The more you know, the more you can help.

What You Need to Know

The details

- Do they have wills and living wills/advance directives?
- Have they designated someone as power of attorney?
- Do they have a current listing of their assets (property and valuables) and liabilities (debts and obligations)?
- Have you discussed access to any safety deposit boxes?
- Have you secured contact information of doctors, financial advisers, attorneys, and insurance agents?
- Do you know where this key information is stored?
- What are their Social Security numbers?
- Where are their insurance and health records kept?
- What are their Medicare numbers?
- Where are their bank and tax records?
- Do they have long-term-care insurance?
- Will they consider a transition to a retirement community?
- Are you aware of all medical conditions?
- Can they provide you with a list of medications and the pharmacy they use?

What they want

Ask your parents about the specifics regarding how they want their finances to be handled in case they are incapacitated. Once you have a grasp on their financial position, your role is to help safeguard their assets and make sure their wishes are carried out. Their financial position may change from time to time, so be sure to visit them regularly to observe changes and to show them you care.

Who to involve

Finances can be one of the biggest sources of family strife. If you have siblings, include them from the outset. Having support and making mutual decisions regarding your parents can help in times of crisis. Also, include your parents in their financial decision making for as long as possible. Letting them maintain a sense of control over their own money is important to most people's independence. Over time, watch for signs that their decision-making may be impaired. These might include things like mistakes in a checkbook, missing bill payments, or making poor decisions – financial or otherwise. You may eventually need to ask them if they are willing to allow you to assume the role of bill payer and mail collector.

What Is an Estate Plan?

A good estate plan coordinates how to handle investments, insurance, disability, retirement, and other assets. It can bring peace of mind to your family and loved ones, and can also help keep its subject on track to reach financial life goals.

If, after speaking with your parents about their finances, you've learned that they do not have an estate plan, take this time to discuss with them the importance of having one. It's never too early to make an estate plan – you should also have one. Estate planning can be an uncomfortable topic to address, but it should not be ignored. A properly-formed estate plan is necessary to ensure proper growth of assets, execution of wishes in times of illness, and distribution of your or your loved one's estate after passing.

10-step process

There are 10 steps to creating and maintaining a comprehensive estate plan. Although they can be accomplished in a different order than what follows, it can be helpful if organizing is the first step. Remember that this is a process. A proper estate plan will be fluid and may change and require updates.

- Summarize all assets (things you own) as follows: owner (how it is titled), account number, bank or investment company name and phone number, type of assets (IRA, Roth, savings, etc.), value, and beneficiary. The more information the better. Don't forget property or other valuables.
- Summarize all debts (amounts owed) as follows: debtor, lender, account number, amount owed, interest rate, minimum payment, and regular payment.
- Create a will or update an existing will. You will need to name executors and guardians for dependents. Anything that doesn't pass to a named beneficiary via contract will pass through the will.*
- Create a power of attorney. Select someone to handle financial and legal issues during times of incapacitation.*
- Create a health care power of attorney with health care treatment instructions (commonly called a living will). Your health care proxy will be responsible for ensuring your health care wishes are honored during your incapacitation.*
- Develop a plan to protect dependents during your death or incapacitation. This would include naming guardians and ensuring that assets or life insurance are in place for their care.*
- Make sure beneficiary designations are in line with your wishes. Anything that has a beneficiary designation will not pass through the will. Keep a file of current beneficiary designations that includes the name of primary and contingent beneficiaries.*
- Preplan your end-of-life decisions.
- Communicate and share your wishes with trusted family members or confidants.
- Review your estate plan frequently.

**Should be completed in consultation with a competent estate attorney.*

Selecting Advisers

A CPA is a trusted adviser who can help families through financial planning issues, from the simple to the complex. The important thing is to protect the assets your parents have worked hard to accumulate over the years. Creating and maintaining an estate plan should be overseen by professionals who specialize in estate planning. An estate planning team should include an attorney, CPA, insurance consultant, and investment adviser or financial planner. Consider taking advantage of a trusted adviser's professional network. Oftentimes, a tax or insurance professional might be able to recommend a legal professional or vice versa. This can save you time and effort as you secure experts to meet your various needs.

The PICPA offers resources for a variety of financial topics.

Visit www.picpa.org/resources to learn more.

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