

Talk To Your Aging Parents



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Don't Wait: Talk to Your Aging Parents about Money

We all know that talking about your parents' personal finances can be difficult. Most of you, who have aging parents, have not even dared to broach the subject. You are used to getting advice from your parents rather than giving it, but there comes a time when the children must act like the adults and safeguard their parents' finances. It's a huge step that must be taken while your aging parents are in reasonably good health. If you fail to take this step, then the consequences could be financially devastating.

"This is a touchy topic for everyone involved," said one credit counseling expert. "But if adult children think that is hard, just wait until their parents become sick and their whole life savings are sucked dry- that's hard to take, and it happens all too often."

There seems to be a myriad of ways that aging parents can damage or even exhaust their finances- bad investment decisions, poor tax planning, theft or fraud, and of course, injury or illness. That makes it even more important for you to help them protect their assets. It is a responsibility- just as your parents had a responsibility for your welfare when you were young. Yes, this can be uncomfortable, but think of the topics your parents had to cover with you over the years!

Experts warn adult children not to bully their way in- use discretion; do not just tell them that you are taking over their finances. You could mention the subject over lunch and then continue to talk about it over a few weeks; give your parents time to think it over. If your parents are showing signs of confusion and forgetfulness, be honest with them; tell them that you are concerned about their health and that you are there for them. Here are a few questions that could help start the conversation:

-How many bank accounts do you have now, and what are the

names of the banks? Do you need help with these accounts? Would you consider establishing joint accounts?

-Do you work with any insurance agents, accountants, stockbrokers, lawyers, or financial planners? Would you mind writing down the contact information for who you work with just in case you need assistance in the future? Do you have questions about your finances?

-Do you have any financial business we can help you with such as property sales, stock transfers, credit matters, or medical issues?

- Have you considered putting your money into a trust to help us protect your savings? Why don't we see a lawyer together so he or she can explain the options for protecting your assets?

Plan Ahead

If your parents become ill and end up bed ridden at home or in a nursing home without a financial plan in place, all of their life's savings, everything they own, will be in peril.

One seasoned nursing home administrator put it like this- "The reality is that individuals must pay for their health care, whether it be through Medicare, Medicaid, or insurance, and in order to qualify you must pay into those systems. If you do not qualify then you must pay out of pocket and that is where people fall victim. People automatically think that the Government will cover them and that is not always the case. Families become unwilling to deplete and liquidate their assets and that is where it starts to spiral out of control. They get sent to collection for non payment of fees and if they fail to pay the collection company they get sued in Civil Court, and their credit can be ruined and they can face having no money left."

Okay, there is the grim picture. But what can you do to avoid such

an unpleasant experience? The first thing you can do is look into a good elder care plan. This should address your parents' legal and financial situations as well as their care needs. Let's face it, elder care is expensive. It is possible that all of your parent's financial resources may need to be sacrificed in order to pay for care. It is also possible, even likely, that if your parents' have a progressive illness like dementia, that their mental state will become compromised and they may lose their right to represent their wishes in a court of law.

But you can prevent that with some foresight and planning; you can produce several methods for preserving your parents' resources. If you are serious about this planning, and you should be, educate yourself and consult with a lawyer who is experienced in elder care and estate planning. The following are a few things that you should familiarize yourself with:

Wills and Estate Planning: A will is a legal document that allows a person to specify how their property should be divided and how custody of their children should be handled upon their death. It exists as an alternative to default methods for dividing property and arranging for child custody, which are determined by individual states. This usually involves a lengthy and expensive legal process known as *probate*, which you should minimize all costs in time. As part of the estate planning and will process, a person can choose to make trusts or gifts to heirs or charitable organizations, which can be used to reduce the amount of taxes due upon death, as well as making sure that personal wishes are honored.

It is not necessary for a lawyer to be present during the creation of a will. Paralegal professionals can assist with will preparation, and do-it-yourself forms are available in paper or software format from respected publishers to find them you can simply do a search online. Though legal wills can be created without the

assistance of a lawyer, it is a good idea to hire a lawyer to assist with the process, particularly if elders' wishes regarding property division are at all complex, or if there is a desire to minimize tax implications surrounding inheritance issues.

In most states, wills are not legal until they have been signed in front of a Notary Public (a person who is government authorized to administer oaths and to attest to the authenticity of signatures), as well as multiple witnesses. Multiple copies of the will should be produced and stored in safe places where they can be easily retrieved in the event of elders' death.

Healthcare Directive: A healthcare directive (also known as a living will or advanced healthcare directive) is a document that enables a person to legally record their wishes concerning whether 'heroic' or extended medical care measures should be taken to prolong their lives in the event they are incapacitated and unable to speak on their own behalf. In order for a healthcare directive to be considered legally valid, the document must be notarized and the person must be of sound mind at the time it is signed. The creation of a healthcare directive document is a good idea for all adults, and not just for your aging parents. Accidents that result in incapacitation may occur at any time, and without such a document in place, it is possible that one's life will be artificially extended against one's will.

A trusted family member or friend can be named as a "healthcare proxy" within the directive document. When this occurs, the document may be known as a durable power of attorney for healthcare. The individual named as proxy in the directive document gains the power to make healthcare decisions on behalf of the person creating the document.

Conservatorship: A conservatorship is a court arrangement allowing an individual (your or one of your family members) power over the financial affairs of your parents. It is only

allowed to exist when your parents are judged no longer capable of managing their own affairs. Conservatorship works to safeguard your parents' financial assets. The court appointed conservator is required to make regular reports to the court regarding expenditures. Special permission may be required before any major financial decisions are made on behalf of the conservatorized individual, including the purchase or sale of assets such as a house. On the downside, conservatorship can be a time consuming, expensive, and ineffective process as much as it is a well meaning and helpful one. The conservator of another person's assets must go before the court to gain permission for big decisions, an expensive lawyer is needed to draw up the papers, and there is always the possibility that the conservator will abuse his or her power over the managed financial assets. This is why it is important to talk with your aging parents regarding joining bank accounts before they become ill.

Durable Power of Attorney for Finance: The durable power of attorney for finance is a legal document that authorizes a person to have the legal authority to act on behalf of another person with specific regard to managing their finances. Should the person on whose behalf the document was created become incapacitated, the normally term-limited document powers remain in effect until the person recovers or dies (at which point the document becomes invalid and the person's will takes over).

The major reason to complete a durable power of attorney for finance is to insure that important payments can still be made in the event that a person becomes incapacitated.

Without a durable power of attorney for finance in place, the court will decide when and how important bills (such as a child's tuition or mortgage payments) get paid. Arranging in advance to grant someone else the power to pay bills in this nature is thus a way of reducing family stress.

Like other legal documents, the durable power of attorney for finance can be created without the assistance of a lawyer, although this is not always a good idea. It must be notarized and witnessed before it becomes valid. The person creating the document can designate the scope of financial powers to be granted to the designated executor so as to limit that person's ability to mismanage the funds.

Durable Power of Attorney for Healthcare: Highly similar to the durable power of attorney for finance, the durable power of attorney for healthcare legally grants another person the ability to make healthcare decisions in the event that the person creating the document becomes incapacitated and unable to speak on their own behalf. This is an important method for making sure that personal wishes regarding medical care are honored. It is appropriate for all adults to create such a document.

Financial Considerations: In addition to legal considerations surrounding the nature of your parents' assets and estate, there are also day-to-day financial considerations that need to be thought through to help ensure that your parents and other family members will continue to live as comfortably as possible.

Beneficiary Information: In addition to completing a will and applicable durable power of attorney documents, it is important to make sure that beneficiaries are appropriately named and up to date on financial assets, including retirement accounts (pensions, 401k accounts, etc.), life insurance plans and other assets.

Such assets are not likely to be covered by a durable power of attorney, and it can be difficult, if not impossible, to change or arrange for disbursement of these assets upon someone's death if beneficiary information is not up to date.

Medicare and Social Security: Aging people are approaching retirement age (generally 65-68 years of age depending on year of birth) should file for Medicare and social security benefits. Generally, it makes sense to apply for such benefits between three and six months prior to retirement age to allow for necessary processing time. You should be certain that your parents have filed for these benefits.

Supplemental Insurance: There are problems with both Medicare and Social Security coverages. Medicare does not cover numerous services and expenses, and nobody knows if Social Security will even be a financial help in the future. For these reasons, it may be wise to explore the purchase of a long term care insurance policy, and/or supplemental medical insurance policy. Long-term care plans and supplemental medical plans may help pay for needed care facilities and treatments that Medicare will not. However, most policies have a lifetime maximum benefit level and many have daily/monthly maximums as well. Also, there are set criteria that usually trigger coverage. Not all conditions or situations will result in benefits even though the insurances have been paid for in advance. Because such plans may have up front eligibility requirements, older parents who already have a pre-existing condition may be denied coverage. While the downsides to purchasing supplemental insurances do exist, they can prove to be valuable means of funding care and are thus worth exploring.

Trusts: A trust is a legal device into which your parents' assets can be contributed. Monies contributed into the trust are no longer the property of your parents, but instead now belong to the trust. The trust can be set up in various ways so as to pay out a small income to the elder during his or her lifetime, and then disburse the remainder of the assets to beneficiaries upon your parents' death. The major benefit of setting up a trust is to shield assets that would otherwise have to be sold off to pay for care

before government care benefits activate. In order for this smart process to work, however, the trust must be set up years before your parents require care. Trusts are complex and should only be created and managed by a knowledgeable lawyer. Consult with a lawyer who handles estate planning for further information on trusts.

Once the legal or financial documents have been created, keep them together in a safe but accessible location, such as a safe deposit box. The location of the documents should only be known to you and those you trust.

Taking the initiative to speak with your parents about their finances before their health deteriorates will ultimately protect them and their assets. You will be saving them, and the whole family, from the confusion, aggravation, and embarrassment of confronting a financial situation that you are probably not prepared for. Think of it as a way to educate yourself, so when you become the aging parent you and your children will be prepared.

Source: MentalHealth.net

