

Stepping In Financially For An Older Relative at a Time of Need

No one wants to give up control of their lives. That's true for someone who's 20 or 80. But if you sense an older relative is slowing down, or if a serious illness is threatening the finances of any loved one, it's time to fashion a battle plan.

A good first stop is a financial planner – a financial expert with the experience to step into a tense situation and help you create a system for locating key information so you can make the necessary critical decisions. Of course, the best way to set up a system is to work with the relative before there's a problem or in the early stages of illness. Some suggestions:

Understand their condition and strike a cooperative balance: The first step in helping someone in a crisis is not to talk about the money but to understand the crisis. Before talking about money issues, do everything possible to understand how they're feeling and most important, how they want to handle family, work and money issues at each stage of their illness. It's not unreasonable for someone to want to keep control until the point when they really have to give up the reins. Get them to talk about what they believe will be triggers for them to give up control, and then find out how they would like to proceed and formulate a transition plan.

Talk about legal documents: Does this parent, relative or friend have a will and necessary health directives in place? Health directives name a single individual to manage all key health decisions if a patient cannot make them; a will depending on their assets and lifestyle situation – if they have kids to raise or a business to run, for example – check to see what detailed legal instructions they have in place to manage their finances or run their business if they are incapacitated. And if those plans have not been made, they need to be made immediately with the help of a CFP® professional and necessary tax and legal experts. An individual who is ill needs to designate people whom they trust to handle health and personal finance decisions. But if they have not planned for the future of their business, that is a third and very detailed step that needs to be addressed in collaboration with other family members as well as key co-workers or executives.

Talk about long-term care provisions: According to the American Association of Retired Persons, the average nursing home stay is 2.5 years. Whether an individual chooses long-term care in the home or in a facility, it's important to understand that while some direct medical expenses will be covered by private insurance, Medicare or Medicaid, most of the cost including daily living expenses, will not.

Get a handle on bills and other key financial events: It's not the most pleasant dinner table conversation, but if more people planned their affairs with the assumption that they could die or become permanently incapacitated tomorrow, survivors would have a much easier time running or settling matters in their absence. Such planning goes beyond having simple wills and powers of attorney in an easy-to-find location. It makes good sense to establish the following:

- *Electronic transactions:* Older relatives tend to trust traditional means of paying bills, but automatic bill pay is an extraordinary benefit for caregivers or relatives charged with managing someone else's finances. By gathering all bills that need to be paid and programming in their payment dates, there's little or no risk that any regular bills will be

paid late. Automatic bill payment should be one of the first decisions made if an elderly relative establishes a joint checking account with a caregiver or whoever holds their financial power of attorney. Also, if a relative wants to continue a regular savings or investment plan while they are incapacitated, those payments can be made as well. Most important – once those automatic transactions are set up, all the security codes and passwords must be kept in a safe place for both to access.

- *Set up a home maintenance schedule:* If the relative is hoping to return to the home or if it must be sold at a later date to pay bills or to settle the estate, it must be maintained to assure its value at the time it needs to be reoccupied or sold.
- *Set up a correspondence system:* In addition to the stress of helping someone who's ill or incapacitated, the sheer amount of paperwork associated with a serious illness can shake the most unflappable person. Again, a CFP® professional with special skills working with elderly clients can help you set up a system for collecting and sorting that information as well as non-medical financial correspondence. If the house is unoccupied, it's also important that there is a way to keep mail secure to avoid identity theft – buy a shredder for all mailed materials that don't need to be filed.
- *Pull credit reports:* Get permission from your relative to pull the three annual credit reports they are entitled to during the year so you can confirm all accounts are current and that identity thieves haven't targeted their accounts.