



5 Steps for Helping Your Elderly Parent with Their Finances

By Ryan Zacharczyk, CFP®, CSA, CRPC

Caring for an elderly parent can be a challenge physically, emotionally and mentally. Accepting the role reversal of becoming your parent's primary caregiver can be strain enough. There is so much to do when attending to the health of your parent that trying to help manage their finances as well can make it all overwhelming. It may make you wonder how you can ease the burden but still be there for Mom or Dad.

It is important that you be proactive. Taking this approach to your parent's finances will allow you to find the relief you need to properly manage everything else.

You know it's not going to be easy. As your parents begin to lose control over their health, they may cling to the aspects of their life they think they can still control. There is a great sense of pride that comes with maintaining their own finances. It's your job to effectively convince your parents that it is in their best interest not only to share, but sometimes relinquish, control over part or all of their finances to a trusted family member.

Doing this could be one of the most important things you do for your parents, but you also must be sensitive to the difficulty many older adults have in relinquishing control. Here are five steps to helping your parents with their finances.

1 Open the lines of communication. The most important, and often overlooked, aspect of helping your parent with finances is communication. Too many families end up having arguments or disintegrating personal relationships because they don't keep everyone informed of what's going on. You should start with your parent. Assuming your parents are still competent, you need to discuss their wishes with them before you make any decisions. Include them in the decision-making process. Explain to them that you want to help them and then keep them informed by telling them what you are doing as you are doing it.

It is also important to communicate with other integral family members. Perhaps one sibling is the primary healthcare giver and another is handling the finances. All siblings need

to stay in the loop, especially those who are not local or involved in the day-to-day management of your parents' lives. Regularly discussing finances with the primary caregiver will prevent hard feelings later and make everyone involved feel more comfortable with the choices being made.

Sit down with all interested parties to determine the following:

- What level of care do you want to provide and how much your parent can afford.
- Who will be providing the care or where will it be provided. If being provided by an outside source, who will be the point person and what resources will be needed.
- Where will the money for the care come from and who will have control of that money. Who will pay day-to-day bills and manage the parent's assets.

2 Set up a durable power of attorney. A durable power of attorney allows you or another trusted person to act on your parent's behalf. This fairly simple legal document allows this "advocate" to make financial decisions for your parent if she becomes incapacitated. People suffering from dementia or senility, who are no longer competent to make their own decisions, need to continue to make financial decisions long after they have the capacity to do so. A durable power of attorney allows these decisions to be made by giving the advocate the ability to write checks, pay bills, change investments, anything the parent used to do for himself financially. A durable power of attorney needs to be done before the parent becomes incapacitated. It will prevent you from having to go to court to gain the same powers if there is a loss of competence by the parent. If you have trouble convincing your parent of this benefit, then a springing durable power of attorney would be appropriate. This document only takes effect when it is determined by a doctor that the parent is incapacitated. Whichever is agreed upon, putting this important legal document in place today can prevent a lot of problems later.

Continued on next page



5 Steps for Helping Your Elderly Parent with Their Finances

Continued from previous page

3 Opt for safe investments. The recent turbulent market is a not-so-subtle reminder of the volatility of stock market investing. When handling an elderly parent's finances, the first word is safety. Often I see 70- and 80-year-olds with half their net worth in one stock. They have owned it for 50 years and feel as if they are married to it. The level of comfort they have with this company may turn to pain if the stock goes through a rough patch and you need that money to pay for their care. Loyalty is not returned in the financial markets.

The best option is to keep your elderly parent's portfolio conservative. Its majority should be made up of Treasury bills, notes and bonds, bank CDs, and money market accounts. If you feel stocks are appropriate, consider a total market index fund and keep the percentage to no more than 30% of their total portfolio. Remember, at this stage of life, liquidity is paramount. Providing safety and easy access to these funds will be more valuable than any high market return.

4 Put a will and living will in place. Ensuring that your parent has these two legal documents can help avoid giant hassles later. Each has a very specific purpose.

■ **Will:** A legal document that allows the individual to state who should inherit their property.

■ **Living will:** A living will (as it is called in most states) makes known your healthcare wishes in the event you become incapacitated.

■ **Healthcare Proxy:** A document that appoints an advocate to make healthcare decisions that are not detailed in the living will if you become incapacitated.

These documents provide your parent with a great deal of control over their asset distribution and healthcare — control they may be craving.

5 Execute your plan. Coordinating a plan of this magnitude is not easy, many things that are worthwhile aren't. But once it is coordinated, proper execution is just as important. It is not uncommon to put together a fantastic plan only to delay its execution. It is very easy to put off executing a will or reallocating a portfolio when the bills need to be paid and the laundry is piling up. Unfortunately, this procrastination is what often leads to regrets down the road.

So set a date for when you plan to accomplish each task and stick to your deadlines. This will give you the motivation you need to work your plan.

It can be very challenging to juggle all involved with caring for an elderly parent. Follow these steps to help reduce the stress that will inevitably come. Communicate with your family, develop a plan, create the proper documents, protect the investments, and execute the steps with speed and efficiency. Although it still may not be an enjoyable period in your life, these steps will make it easier not only on you, but also your parent.

Ryan Zacharczyk is President of Zynergy Financial Planning, LLC, a financial planning firm specializing in working with mature adults 50 years old and above. Zynergy provides comprehensive financial planning services for individuals 50 and older, helping them achieve their objectives in estate planning, investment management, tax minimization, and insurance planning.