



## Talking to our aging parents about money

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Talking about money, under the best of circumstances, makes most people uncomfortable. Talking to your aging parents about their finances can be particularly difficult. Children are afraid to appear controlling or impatient to receive their inheritances, while parents are reluctant to surrender their autonomy or confront their mortality. Not discussing this vital issue, however, can lead to significant and irreversible trouble down the road.

In order to reduce the stress that surround this conversation, you might consider introducing the topic by saying, "It's important for me to understand your financial situation in case I need to step in and help in the future," or "What would be the best way for me to help you with your finances if something were to happen to you?"

Your parents may agree to discuss some areas of their finances with you, but be unwilling to fill you in on the details of their situation. In either case, you can avoid financial confusion later if you discuss these issues now.

**Location of financial records** If you have to step in to help, you will need to know what assets and liabilities your parents have and where the accounts are held. The location of tax returns, social security information, as well as insurance policies (life, medical, long-term care, auto and homeowners) is very important. You will want to know the

safe deposit box location as well as the location of the key. A listing of their advisors including contact information will be very useful as well.

**Powers of attorney** It is crucial to discuss the need for durable powers of attorney for property and health care. The power of attorney for property will allow you to make financial decisions for your parents if they become incapacitated or incompetent. The health care power of attorney delegates the ability to make health care decisions in the event your parent is unable to decide for themselves. This document often articulates a person's wishes regarding life support. Having these durable powers, if needed, will save the family emotional stress and substantial expense and enable them to manage the family's financial and medical matters without court intervention.

**Estate planning** Powers of attorney do not eliminate the need for wills or the appropriate trusts. These documents are critical to ensuring that your parents' assets transfer according to their wishes. People don't like to think about death and may not want to spend money to plan for it properly. If estate planning is not done, however, the courts will decide for your parents how their assets will be distributed. You should urge your parents to contact an attorney who specializes in estate planning to help them prepare the necessary documents and to help them reduce estate taxes.

**Investments** Discussing your parents' investments should include their asset allocation, the safety of

the principal and the income generated. Do your parents have sufficient assets to take care of the needs for the remainder of their lives? This information is especially important because it may influence your own long-term planning. If you are concerned that your parents lack adequate assets, you may need to start planning now to assist them in the future.

**Long-term care planning** What if one or both of your parents needs to enter a nursing home? Depending on their situation, long-term care insurance may be appropriate to help absorb the expense of nursing home or at-home care. There may be other strategies available to mitigate the potentially large nursing home costs. For advice on this type of planning and to address your family's particular concerns, contact an attorney who specializes in elder law issues.

It is never too early for you to begin discussing money with your parents, and the benefits are twofold. You will be helping your parents prepare for their future while their experience will teach you to prepare for yours.

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