



# Stepping in Financially for an Older Relative at a Time of Need

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**“The first step in helping someone in a crisis is not to talk about the money but to understand the crisis.”**

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**N**o 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,

# Stepping in Financially Continued...

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.

*This column is produced by the Financial Planning Association® and is provided by Robert J. Cole, Jr., CLU, ChFC, CASL, CFP®, a local member of FPA.*

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## Helping Older Relatives Articulate Their Long-Term Care Wishes

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**“Want to avoid a worst-case scenario? Start the conversation now.”**

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In the best of all situations, helping an older relative or a parent plan for long-term care and other end-of-life issues happens when they're healthy and various options can be considered with adequate time to do so. Unfortunately, events can sometimes intervene and make an elder's need for assistance an emergency.

This is why it's so important for adult children and younger relatives to gather up the courage and preparation to begin a series of important conversations when elders are healthy. Once stricken, older relatives may be unable to understand questions or express their wishes in proper detail. If there is no plan, family members grasp at responsibilities – or shirk them – without any idea of what the older relative would really want.

These talks actually should go far beyond money. There should be discussions about independence and basic preferences for the way individuals want

to live or die. Demographers believe that with the rising number of single Americans – those divorced or never married – these conversations will become increasingly complicated as they fall to nieces and nephews, younger friends or designated representatives.

Want to avoid a worst-case scenario? Start the conversation now. Here are some ideas:

**Start with the most important priorities:** Maybe this first conversation isn't just about where the will or health care power of attorney is, though you'll eventually have to get to that. Maybe this conversation is about you noticing that a parent or loved one is moving slower, is more forgetful, is clearly looking like their health has taken a turn for the worse – and maybe that's why you want to know where the will is. Jumping into money issues first is usually a mistake. Deal with immediate health and lifestyle issues first.

# Helping Older Relatives Continued...

**Prepare your questions in advance:** When a parent or relative is unconscious or unresponsive, the younger relative is immediately in the drivers' seat. That's why it's critical to make a list of questions for the elderly relative to answer in detail while they have the capacity to address them. The basics: Where important papers are, how household expenses are paid, who doctors and specialists are, what medicines are being taken and whether there's a will, an advanced directive and a funeral plan (and money or insurance proceeds to pay for it). There may be dozens more questions beyond these based on your family's personal circumstances. But in creating this list, ask yourself: "What do I need to know if my family member suddenly becomes sick or dies?"

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**"Once you settle on a strategy, make sure all family and friends understand the plan and their assignments."**

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**Turn the conversation to affording long-term care:** One of the greatest continuing fallacies about long-term care is that Medicare pays for it – it pays for a significant amount of medical care associated with it, but not for the actual cost of home-based or nursing home-based care. In 2009, private room nursing home care averaged more than \$60,000 a year. Long-term care insurance is something that should be purchased in one's 50s for the best chance at affordability, but the conversation needs to be a mixture of preferences and finances. If an elder cannot afford top-quality care, families need to plan alternatives, especially if it means pitching in.

**Be patient:** In some families, having a successful financial discussion means several attempts and some frustration. Don't become angry or frustrated if this happens. Just keep starting the conversation until it catches on. It might make sense to say something like, "You've always been so independent, Mom. I just want you to give us the right instructions so we do exactly what you want."

**Offer to get some qualified advice:** If you don't fully understand your relative's financial affairs, it might make sense for you both to talk to an attorney or a tax or financial advisor, including a CERTIFIED FINANCIAL PLANNER professional. A qualified advisor can help you straighten out whatever confusion exists and can help you put specific legal documents in place and set up ways to pay medical and household bills if they're unable to do so. If you can, involve your elder in that conversation – an impartial third party can sometimes move things along. Above all, an elder should have a current will and health power of attorney

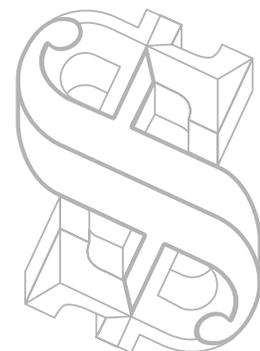
documents in place—either making or reviewing those documents can be a good starting point for making sure other necessary plans are in place.

**Plan a caregiving strategy together:** You should discuss the relative's preferences and trigger points for various stages of health care. An individual always wants to stay in his or her home, but you should have an honest discussion about how much you can do at home as a caregiver and whether various services (home health aide, geriatric care manager, assisted living) should be introduced at various stages. Talking through what a parent will be able to live with at various health stages, and putting that information in writing, will save plenty of doubt and bitterness later.

**Discuss what should happen with the home:** If an elderly relative becomes sick and irreversibly incapacitated, the equity in his or her home may come under consideration as a resource to pay uncovered medical or household maintenance. Since the home is both a major asset and an emotional focal point, it's best to get good advice and spell out specifically what the elderly relative wants done with his property and under what conditions.

**Make sure everyone knows the plan:** Once you settle on a strategy, make sure all family and friends understand the plan and their assignments.

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## YOUR LIFE PORTFOLIO

*“By ‘how much is enough?’ I mean the amount that will allow you to stop driving so hard professionally should you choose to do so. I mean the amount that will allow you to feel safe, the amount that will compensate for risking hard-won relationships, the amount that will affirm your feeling good, smart, successful, accomplished, in control.*

Pamela York Klainer

*How Much is Enough?*

**How much is enough?** Author Pamela York Klainer responds to this thought provoking query by writing, “The question is deceptively simple, but the answer is critical to integrating money with other aspects of your life and finding happiness.”

In similar fashion, financial planner Karen Ramsey commented in her book, *Everything You Know About Money is Wrong*, about the importance of making sure your financial life supports what is most important to you:

*“Money will only improve the quality of your life when it is used with clarity. Only when you learn to spend money in concert with your underlying values—the things that you most deeply care about—will it become a tool for creating a more fulfilling life.”*

In other words, money can help you achieve our goals, but financial resources alone cannot produce the essential ingredients of a satisfying and rewarding life such as good health, loving relationships, and meaningful activities. Keep in mind that the word “rich” has two meanings. It can be defined as “possessing great material wealth,” and it can also be defined as “that which is abundant, meaningful, and significant.”

In his book *The Prosperous Retirement*, Michael Stein wrote:

*“Just as a wagon wheel without spokes will not carry your wagon, money cannot, in itself bring joy, satisfaction, fulfillment, and a sense of balance into your life. In fact, money sometimes can get in the way of achieving these non-financial goals.”*

In addition, it is important to keep in mind that life is multifaceted and that each facet contributes to the quality of life you will experience—now and in the future.

Think of each facet as an integral part of your total “life portfolio,” and remember that it is your investments of time and energy that will make your portfolio grow. Once you have a clear definition of what “true wealth” means to you, then you can invest in each area of life in a meaningful and purposeful way.

As you consider your life portfolio, ask yourself, “Am I experiencing the ‘return’ that I want and need?” If not, it’s time to re-evaluate and re-balance how you allocate your limited and precious resources.

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## In My Opinion . . .

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### Contentment...the Goal of Paradox.....

As we start each New Year, I always repeat the planning exercises that revisit my life goals. It struck me this year that each year that we age, we seem to be pulled to the goal of being content. This is the state of “bliss” where everything is just the way we like it. Life is on cruise control and we bask in the joy of laying back and enjoying the ride.

Right!

As soon as the year started, that illusion was knocked off. In my family life, my mother’s health took a turn for the worse and the stress of working with siblings who disagreed on the proper course of action made the situation worse. Mom’s “contentment” was disrupted by a stay in the hospital, two visits to the emergency room and the adjustment of dealing with a home care provider for the first time.

An unplanned staffing reorganization at the office required my wife to come out of “retirement”, which had only lasted one week! Both of us had to up our workload to cover the need until other arrangements could be made. She had to put her tennis team on hold and re-tool her plans for the spring golf league.

My car, which is now nineteen years old, went in for an oil change and came out with \$2,300 of additional repairs...I guess you are getting my drift.

After reflecting on all of this I realized how foolish the longing for contentment is. First, that state weakens you for the tasks of daily living. If I have learned anything in my sixty one years, it is that life is mostly a state of chaos. Your ability to be flexible and find adaptive ways of reaching your goals is the critical skill. Contentment does not build these talents, it diminishes them. It is only human to long for stability, but the reality is that life does not stay that way for long. It is the strength and confidence that come from dealing with the unstable that makes us sturdy. It is like confusing rest and energy. Both of these states are required for optimal health, but isn’t it funny that the more we rest the lazier we become. On the other hand, exercise, which requires exertion, actually amps up our daily vigor.

In short, we should be thankful for the many opportunities that life offers us to get stronger. As hard as it might seem, we should look forward to the disruptions that give us a chance to grow and become more confident. Embracing these occasions with full engagement will produce more life satisfaction than trying to avoid them and as I have said, you can’t successfully hide out very long anyway.

Until next time, that’s my opinion.

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