Z Financial Planning, LLC

How to Takeover an Aging Parent's Finances

Like many difficult situations with people we love, planning to take over an older relative's finances is best done in happier times, when both sides are healthy and various options can be considered. Unfortunately, events can sometimes intervene – death, illness or natural disasters can make an elder's need for assistance a critical matter.

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.

What's critical to understand is that such talks should go far beyond money. They need to be discussions about independence and basic preferences for the way an individual wants 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:

Decide what's important to talk about first: Maybe this conversation isn't just about where the will or health care power of attorney is. 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.

Explain why you want to talk about finances: In some families, having a successful financial discussion means several attempts and some frustration. Don't let yourself become angry or frustrated – 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."

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. 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 this person suddenly becomes sick or dies?"

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 adviser. A qualified adviser can offer specific suggestions on critical legal documents that should be in place and ways to make sure accounts to pay medical and household bills are accessible to the older person and the designated friend or relative who will hold power of attorney.

Plan a care giving strategy together: You should discuss the relative's preferences and trigger points for various stages of heath 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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