

Six Strategies for Helping Senior Parents Manage Their Money

by Sharon Burns, Ph.D.

Approximately 22 million Americans are caring for an older adult, most likely a parent. Caretaking no longer is limited to ensuring parents have medical attention, are driven to their appointments, or that their houses are clean. It now includes assisting parents with money management tasks and, in many cases, financial decision making. Adult children may face difficulty in managing another's money when they barely are able to take care of their own situation. But managing money does not mean offering financial support; it simply means assisting with financial chores and decision making.

1. Start the money conversation

Like adults who had difficulty raising the subject of the "birds and the bees" with their children, many adult children find it stressful talking with their parents about money. It's an important conversation to have and soon may not be soon enough.

Also, because the elderly are targets for con artists, watch for unusual activity such as overbuying magazine subscriptions in hopes of winning a sweepstakes, excessive calls from telemarketers, and frequent visits to a financial institution.

If parents are aging or facing acute or chronic illness, it's certainly time to ask them about their financial situation. Most adult children find that money management for parents becomes their concern when one parent dies and the surviving parent is not money savvy. Sometimes a parent has a serious illness or accident and is left unable to cope with day-to-day issues. However, managing a senior's money will be much easier if the money conversation is planned and covers several major issues.

Parents may resist the conversation and certainly have a right to say, "Mind your own business." Short of filing a court case to show parental incompetence and requesting a guardianship or conservatorship, there is little an adult child can do in this case.

Because the topic is sensitive, begin by asking if they need assistance with managing money tasks such as bill paying or balancing their checkbook. Inquire about who they would like to manage their funds should they become unable to do so. Most parents choose a child who either lives nearby or has particular experience or expertise in money matters. Trust should be the most important factor for a parent when choosing a financial caretaker.

2. Request that parents prepare legal documents

Request that your parents prepare basic legal documents such as a power of attorney, health-care power of attorney, living will, and will. Review these documents with your parents to ensure that you understand their wishes. Remember, it's not your place to determine the terms of these agreements, merely to understand and implement the terms. A set of simple legal documents should cost \$1,000 or less in most areas.

3. Understand basic information

The financial caretaker should begin by reviewing monthly income sources and monthly expenses. If monthly expenses exceed regular income from Social Security and pensions, where are the supplemental funds coming from?

It's also important that you and your parent prepare a balance sheet. A balance sheet outlines the property the parents own, such as homes, share certificates/certificates of deposit, stocks, bonds, mutual funds, and retirement accounts and their fair market value. A list of debts and outstanding balances also is included on the balance sheet.

Last, it's important to know which financial advisers your parents rely upon. These include the accountant, insurance agent, stockbroker, attorney, and financial planner or counselor. Call the credit union IRA specialist, for example, for help clarifying withdrawal and beneficiary rules. Record the names, addresses, phone numbers, and e-mail addresses for future reference.

Once you've begun the money conversation and have attended to the basics, you can begin more specific, detailed management.

4. Reduce parental debt

Senior citizens have the fastest growing rate of personal debt problems. Many seniors simply can't make ends meet with their income. Others were used to using credit cards and carrying debt while working and have been unable to change their spending habits during retirement. Overindebtedness often occurs when a medical catastrophe strikes and one is unable to continue making regular payments toward debt reduction.

The first step in debt reduction is to stop using credit to pay for monthly needs. Investigate financial, medical, food, and housing assistance programs in your local community. Consider additional sources of income such as using a reverse mortgage on a home, selling assets, or reducing expenses.

Design and implement a debt reduction plan. A plan may include paying off accounts with high interest rates or low balances first. Consider transferring balances with high interest rate charges to those accounts with lower interest rates. But, if you do transfer account balances, make sure to close the old accounts.

5. Review insurance coverage

Most senior citizens qualify for Medicare coverage. But there is much more to insurance than basic health-care insurance. Obtain your parents' life, health, auto, and homeowners insurance contracts. Review and refine the terms of the policies by speaking with the insurance agent.

Benefit limits may be out of date. For example, carrying a \$25,000 property liability amount on an auto policy is low; you could not replace most autos for that amount. The replacement coverage for a home should increase with time and inflation, yet current policies may not have such coverage. You can save money by increasing deductibles or limiting coverage if your parents have funds available to cover small losses.

6. Hire assistance when needed

In addition to basic financial issues such as budgets, credit, and insurance, many parents will need assistance with tax preparation, investment management, and housing choices. Consider hiring an

adviser who has experience in these areas or who specializes in geriatric finance (finance relating to the process of aging). If you or another trusted family member or friend is unable to assist your parents with daily money chores, consider using a daily money manager. Be sure that the adviser is qualified and holds the appropriate credentials or licenses--such as certified public accountant (CPA), insurance, and brokerage licenses. Only hire advisers who are insured for errors and omissions and bonded if they have direct access to your parents' funds or accounts.

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