MICHIGAN SENIOR LIVING

PLANNING

Keeping Family Finances Friendly

How to have those critical – but difficult – money talks

By Claire Charlton

Bob Foyt admits he felt uncomfortable when his 70-year-old mother, Rosemary, approached him to discuss financial matters. "I really didn't want to get into it," says Foyt, 54, of Shelby Township. "But she's been financially aware and has managed her resources pretty well over the years." When illness struck and Rosemary, who is now 77, needed long-term care, Foyt says he was glad they had talked so frankly.

As awkward as it can be, effective communication regarding finances allows adult children to provide support and help to their parents, often when they need it most.

TOUGH TALK

Cultural and social mores have long contributed to the restriction of the free and open exchange of information about private issues, especially finances, says Michael Rudy, licensed psychotherapist and financial adviser with Wolakota Financial Advisors in Ypsilanti.

"Especially for older generations, it's almost taboo to talk about money with anybody, even their own family," he says.

But it's not always the parents who aren't willing to talk, says Rudy. "There are dependency issues at play, too, for the adult children of seniors. Adults still have all sorts of feelings about how they were raised by their parents," he says. "In therapy, I find that successful and independent men can still operate as powerless children when dealing with their own fathers." He says this is especially true when unresolved conflicts linger.

Because they might be managing their parents' finances in the future, adult children need to find a way to approach the subject of money, says Tim Wyman, a certified financial planner and attorney with Center for Financial Planning, Inc., in Southfield. He suggests that adult children who mention their own need to plan financially for their parents' eventual care might find an open door to further conversations about health-care costs and other long-term financial planning.

HELPING PROTECT INCOME

Seniors are especially susceptible to money scams, says Terri Giampetroni, estate-planning attorney with Legal Strategies, P.C. in Mount Clemens.

"When the economy goes down, con artists go up, and seniors are an easy mark," she says. "They can fall prey to a friendly voice on the phone. Next thing we know, they are giving out credit card numbers and personal information, even writing checks for sweepstakes that don't exist. And it's possible that no one will find out for a long time."

Giampetroni suggests adult children offer to oversee their parents' checking and savings accounts by receiving duplicate statements or monitoring online. Unusual expenditures will be obvious if the senior's expenses are consistent month to month.

INCOME NOT ALWAYS FIXED

A lifetime of frugal habits can net considerable wealth, surprising some seniors and their adult children who simply want their parents to spend what they've worked hard to earn.

"Some wealthy seniors might not believe the extent of their savings until they see it in black and white," says Wyman. "When the kids are helping clean the house and mow the lawn, yet know their parents can afford to pay to have the work done, someone may need to help them see their financial worth on paper."

This is the time for the kids to encourage a visit to a financial planner, and sometimes that's all it takes to give frugal seniors permission to spend a bit, says Wyman.

Good communication regarding finances allows adult children to help their parents, often when they need it most.

WHEN HELP BECOMES NECESSARY

When disability strikes, seniors often need help paying bills, filing taxes and managing finances, so setting up a provision for this well before it's needed is critical, says certified financial planner Robert Schmansky of Northern Financial Advisors, Inc. in Franklin. One option is the durable power of attorney, a legal document that allows another party to act as an agent for an individual's financial affairs and takes effect immediately upon creation.

If a senior doesn't want to give up all responsibility before it's necessary, a springing power of attorney is another option and becomes active only when two physicians determine that the senior no longer can make decisions, says Schmansky.

The springing power of attorney might seem a clear concept, but banks and insurance companies recently have become increasingly uncomfortable with the documentation used to provide proof of the change of power from parent to child or other chosen agent, says Giampetroni.

"Because these financial institutions are risk-averse, they don't like to be placed in a position to judge when a person has become disabled or incompetent, such as reviewing doctors' letters about their customers' health," she says. "Banks prefer clear instructions, such as an order from probate court, which forces individuals to go to probate court to prove their status – just what they were trying to avoid in the first place."

A third option is a revocable living trust, which places all assets in a trust managed by the senior until he or she decides to pass along the responsibility to an appointed trustee.

"Think of the trust as a family business," says Giampetroni. "When you retire, someone you have chosen and groomed for the job takes over."

This can be a workable solution for many seniors, but a trust must be approached proactively, well before it's needed.

OPEN LINES OF COMMUNICATION

Bob Foyt's advice about money talk is to try empathy. "Seniors' bodies can waste away, and all they have control over is their money, so when they give it up, it's a hard decision," he says.

Still, look for opportunities to talk. "If you get that opening to have the conversation, you should go for it because they may be few and far between," he says.