Independent Investor

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Role Reversal: When Adult Children Should Talk to Parents About Money

Regardless of whether you and your parents have always talked freely about money or you have never discussed the subject, there may be important financial issues that you need to raise with them as they - and you - grow older. The following topics can help you start thinking about, and planning for, that conversation.

Getting Started

When you decide the time is right to discuss financial needs and priorities with your parents, be clear about your intentions, but also let them know that you are not trying to pry and that you respect their privacy.

An initial conversation should be done one-on-one. Involving too many people can be overwhelming and appear threatening. If you would prefer not to take the lead and have siblings, select one - perhaps the oldest, most financially knowledgeable or one with whom your parents may feel most comfortable.

Remember throughout the process to be sensitive to your parents' feelings. To some extent, our financial lives influence how we view ourselves as independent human beings. For many, old age is a time of coping with a series of physical and emotional losses: hearing, eyesight, mobility, memory, as well as friendships. With any discussion of money, be sensitive to the fears and concerns your parents may harbor about their possible loss of control or independence.

Household Finances

Maybe you have already spoken with your parents about their handling of regular household finances, but haven't brought the subject up in a while. If you think that they might appreciate your concern, then it may be a good idea to check in again. Determine whether they are staying on top of their household finances. Are bills getting paid on time? Are investments being monitored?

Also, ask about their use of banking technologies, such as automatic teller machines, direct deposit and automatic bill paying. For instance, more than 80% of Social Security recipients use direct deposit for their benefits checks. Conveniences such as this can simplify money management for older individuals and provide a sense of security and control over day-to-day financial affairs.

Estate Planning

Estate planning is the key to making sure that everything you have worked for in life is passed on according to your wishes. An estate plan can be as simple as maintaining an up-to-date will, or it can be expanded to include other planning mechanisms such as trusts for passing assets to children and managing taxes. Estate plans may also include other legal arrangements, such as a power of attorney and health care proxy.

A power of attorney is a legal document that designates an individual to make financial or legal decisions on behalf of another individual. A health care proxy is a legal document in which an individual designates another person to make health care decisions if he or she is rendered incapable of making their wishes known. The health care proxy has, in essence, the same rights to request or refuse treatment that the individual would have if capable of making and communicating decisions. Together, these documents can be very important should a parent become ill or incapacitated.

Health Care Resources

One of the biggest worries of elder Americans and their adult children is paying for the cost of long-term care, should it be needed. If your parents are healthy seniors who can look after themselves, they generally are eligible to enter a continuing-care retirement community that allows them to buy or rent an apartment and ensures them lifetime nursing care when it is necessary. Another option for healthy seniors is private long-term care insurance, which can help cover nursing-home costs or the cost of an in-home aide.

Should you or your parents consider buying a long-term care insurance policy? According to current data, the average annual cost of nursing home care is now nearly $75,000 - well in excess of the average household income.* Also, keep in mind that the government provides limited financial assistance for families paying for nursing home care. Medicare will only pay for care on a short-term basis, and Medicaid is reserved for low-income individuals with limited assets. For that reason, long-term care insurance may be a prudent addition to your parents' - or your own - financial plan.

A Gradual Process

Working out a financial plan for your parents' elder years should be a gradual process that unfolds over time. Don't wait until a crisis develops to start the dialogue or try to resolve all details in one meeting. Raise questions that your parents can consider for a follow-up conversation. After several informal conversations, you may want to consider the help of a financial professional.

For Your Information

There are many organizations that provide valuable information and referrals. In addition to the resources listed below, check your local library or senior services agency for other online support services, publications and resources.

The National Council on Aging
(http://www.ncoa.org/)
A nonprofit organization that helps older people remain healthy and independent, find jobs, increase access to benefits programs and discover meaningful ways to continue contributing to society.

AARP (http://www.aarp.org/)
A nonprofit organization focused on enhancing the quality of life for Americans over the age of 50. The AARP offers a multitude of products and services to address health care, travel and leisure and financial issues for its 38+ million members.

Administration on Aging (http://www.aoa.gov/)
An advocate agency of the federal government, the AOA offers a variety of print and online materials for elders, their families and professionals regarding housing, medical, caregiving and services for seniors.

ElderWeb (www.elderweb.com)
A rich collection of online resources for the elderly and their caregivers on financial matters, health care, living arrangements and social, mental and legal issues.

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This article is not intended to provide specific investment or tax and legal advice for any individual. Consult your financial advisor, your tax advisor and a qualified attorney or me if you have any questions.

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