Old Peak FINANCE

January 2021

Financial And Online Help For Your Aging Parents: A Practical Guide

Summary

As your parents age, they will need help with their finances, living arrangements and online lives. Each situation is unique. But many challenges are shared. To help you, and them, we created an action plan.

The time to start this process is while your parents are still healthy. Hopefully, they do not need help now. But, almost certainly, they will need help later.

Our summary recommendations:

- Start early. If you wait until facing an emergency, it will be much harder to achieve an optimal solution with minimal stress.
- If you parents are not ready to involve you, ask them to prepare a detailed list, following our outline below. This would be especially valuable if the main "money person", household IT guru or social media user suddenly dies or becomes disabled.
- Have open, on-going communication.
- Helping aging parents is a process. You may start offering more limited help. That will probably evolve over time to becoming deeply involved in their everyday lives.
- Helping aging parents is a delicate balancing act. Your interests may be different from those of your parents. It may take time and effort to reach solutions that work for all parties involved.
- Helping aging parents is a family endeavor. If you have siblings, work together with shared goals and expectations. Dividing the specific tasks can be effective.
- Physical proximity is very helpful. If possible, at least one child should live close to the parents. If that is not possible, try to visit frequently. It will be even more critical to have good relationships with your parents' advisors and friends who are local.
- Don't assume anything. You may be surprised by what your parents want or what their financial situation will allow.
- Don't let the work overwhelm the relationship. Take time to celebrate your parents' lives.

Our more detailed, 12-step action plan is below.

To compile it, we sought and received input from clients and friends about their experiences. We also researched best practices and reviewed discussions we have had over the last decade with several dozen clients.

Step 1: Understand your parents' financial situation

We understand this may be a huge step: asking your parents to share personal financial information. This may take time, and it may happen gradually. Sometimes it only happens after the financially "savvy" spouse passes. But if you believe your parents need help, that is only possible with a comprehensive understanding of their finances. If your parents wait too long to share this, you may be limited in your ability to help. It is in everyone's interests to do this sooner rather than later.

1. Create a net worth statement, so you know what your parents' financial resources are.
2. If they are working with a comprehensive financial planner, the planner can provide this. Preferably, they have an online portal so the information is updated.
3. With your parents' input, create a budget – at least a high-level budget with major expenses and income items.
4. Get the details on all their bills, credit cards and financial accounts and keep them somewhere safe.

Step 2: Have the "living arrangements" discussion as soon as possible

1. Assuming your parents cannot live on their own forever, there are three basic options: a continuing care retirement community ("CCRC") or nursing home, in-home care and/or moving in with children. None is perfect. But one will surely be the "least-bad" option.
2. Children can help parents research and analyze the options, including their financial viability. They can join visits or interviews with care providers. But, if possible, parents should drive
3. the decision.
4. Start the process early. Three reasons: (i) it may take your parents time to get comfortable with such a move; (ii) if the choice is a CCRC, it may have a years-long waiting list, and (iii) CCRCs usually require the new resident be fairly healthy, and an unexpected illness can make it hard to qualify.

Many clients described parents expressing strong resistance to leaving home. But they observed that in-home care can be extremely expensive, and the quality can vary widely. Be realistic about the costs. Others discussed the challenges of having a parent stay with them and suggested being realistic about the time commitment and physical and emotional toll.

Step 3: Inventory your parents' online financial accounts

1. Create a list of their online accounts – financial and non-financial. Get usernames and passwords. Do not forget secret questions.
2. If their passwords to sensitive accounts are easy to hack, help them change these.
3. Seriously consider a password manager, where you can store all your passwords in one secure location, automating logins. You can purchase a family plan, allowing you to combine your parents' password manager login account with yours. Some online accounts may not allow a password manager or may have 2-factor authentication. Password managers will have separate fields where you can save that information. Because aging parents may forget (and need to change) their passwords, a password manager is even more valuable.

4. Urge your parents to shred their password list after they have an online password manager.

Step 4: If you are stepping into the role of paying their bills, make a list and automate whatever you can

Pay attention to online drafts already set up (Amazon Prime, Netflix, gym memberships, utilities, etc.)

Step 5: Help your parents avoid being victims of cyber-fraud and offline scams

Seniors are prime target for online and offline fraud. Here are steps you and your parents can take:

1. Freeze credit profiles with each of the three credit bureaus. It is very unlikely a thief can open a credit card in someone's name without a credit check – and if you freeze your profile, the credit card issuer cannot check your credit.
2. Monitor your parents' financial accounts. Check weekly.
3. Invest in a shredder. Use it for anything with account numbers, bar codes or similar sensitive info.
4. Sign up for "do not call" and "do not mail" lists.
5. Send your parents articles about phishing and other online scams, so they understand the typical patterns and risks. It may be safest to adopt a simple policy: never click on any link in an email.
6. Send your parents articles about telephone scams. Two simple rules: only answer the phone if you recognize the number, and never disclose sensitive information unless it is an outgoing call.

Step 6: Review, and if necessary, have your parents amend their estate planning documents

Estate planning is not particularly fun, and it never seems urgent. But it is wise to make these critical decisions – and prepare or update these documents – when everyone is healthy and clear-headed.

1. During your life, the two critical documents are financial and health care powers of attorney. The financial power of attorney allows someone to act for your parents on financial matters – paying bills, etc. The health care power of attorney allows someone to make health care decisions if they are unable to act for themselves.
2. After someone passes, the powers of attorney expire, and the critical documents are their will and – if drafted – their trusts. If your parents have significant assets outside of retirement plans, a revocable trust usually makes sense.
3. If these documents do not reflect your parents' current wishes, ask an estate planning attorney to amend them ASAP. Your parents will need to sign in front of a notary.
4. Make sure you know whether either parent has left a separate list of specific wishes not in their will. This list may include who inherits a particular possession or guidance for a memorial service.
5. If your parents' estate planning documents have not been updated within the last 5 years, that is probably a sign they need review. Just one example: attorneys are now adding language permitting the executor to access and control digital assets (online accounts). The laws are evolving and differ state-by-state.

One of our clients emphasized the need to avoid overly complicated instructions for second marriages. The spouses can have good intentions to protect children from their first marriage, but if those instructions are inflexible, they may create more problems than they solve.

Several clients emphasized the need to check with parents that their instructions for charitable donations at death are updated.

Step 7: Access and inventory safety deposit boxes

1. If you do not have authorized access to the safety deposit box, go to the bank with your parents and have them add you.
2. Make a list of what they have in the box. If you do not have electronic versions of estate planning documents, take them out, scan and save them electronically and then return to the box. That can avoid unnecessary trips.

Step 8: Make a list of important contacts in case of death or incapacity

1. Who is their doctor?
2. Who is their financial planner / advisor, insurance agent, CPA, estate planning attorney and banker (for deposits and/or mortgage)?
3. Who is their priest, rabbi, or other spiritual leader?
4. Who is their executor (will) and/or trustee (trusts)?

Many of our clients stressed the need to form good working relationships with your parents' team of professionals. Open communication can smooth many problems before and after a parent's passing.

Step 9: Get electronic copies of key documents

Many of these are sensitive, so copies should be stored securely, online.

1. Estate planning documents (per above)
2. Deeds, titles and insurance policies for home, auto and other valuable property
3. Birth certificates
4. Marriage and death certificates
5. Custody agreements / divorce decrees
6. Military service records
7. Passports
8. Health information
9. Social Security cards
10. Drivers' licenses
11. Inventory of valuable household items
12. Frequent flier information, if significant

Step 10: Inventory your parents' social media accounts and make plans for their passing

1. Per above, start with a list of accounts and usernames / passwords. Put these all into a password manager.
2. Each social media website has its own policy for handling the account of a deceased user. For example, Facebook will allow an account to become a memorial or to be closed. There are forms to complete and evidence to provide, such as proof of death. It is more efficient if your parents nominate you as the

"legacy contact", which gives you access to their accounts at their passing and the ability to manage it as a memorial afterwards.
3. Follow your parents' social media accounts, so you will know what to expect.

Step 11: If you live far from your parents, set up and practice using Zoom, Facetime or a similar tool

One of our clients uses a free software app to login to his mother's computer to help her navigate email and other tools.

Step 12: Consider hiring a financial planner

Your parents may already have a good financial planner/advisor. If not, you should seriously consider hiring a third party. The financial planner would ask, and help answer, questions such as:

1. Can your parents afford their retirement and any other goals (leaving money to the next generation or non-profits, etc.)?
2. Are their investments appropriate? Specifically, are they taking too much risk? If some of their savings are for future generations, do they have enough stock?
3. Will your parents stay in their home or eventually move to a continuing care facility? Can they afford it and are they on the right waitlists?
4. How will they pay for nursing care? Do they have or need long-term care insurance? If your parents are in their 60s, they may still be able to buy coverage, if needed.
5. Is their health care coverage (typically a Medicare supplement paired with Medicare) optimal?
6. Do they have appropriate life insurance (or too much)? Do they have enough umbrella liability insurance?
7. Can they take steps to reduce their lifetime tax burden – and, if appropriate, the tax burden they will leave to their heirs?
8. Is their charitable giving strategy appropriate and tax efficient?
9. Should they update their estate planning documents?

We firmly believe your financial planner should be a fiduciary, meaning they take an oath to act in the client's interests, and a firm which provides comprehensive planning advice, not just investment advice.

Conclusion

We hope this action plan helps as you communicate with aging parents. This is not an easy task. But with clear and open communication, you can make their financial and online lives easier – and make you a more effective partner through this journey.

We welcome your feedback.

Acknowledgements: Sincere thanks to our clients and friends who offered their advice and personal experiences: Barry & Amy (CA), Bruce (NY), Charles (NC), Grace (NC), Elizabeth (NC), Jim (NC), Kathryn (NC), Linda (NC), Lynn (NC), Stan (NC) and Ted (NC).

Disclosure: The information in this presentation was obtained from sources believed to be reliable; however, the accuracy or completeness of this information is not guaranteed. This presentation message is not an offer to sell or a solicitation of any investment products or other financial product or service or an official confirmation of any transaction. It is private and intended only for the audience attending this presentation. Securities and insurance products are not FDIC-insured, are not guaranteed, may lose value, are not a bank deposits and are not insured by any federal government agency. Past performance is no guarantee of future results. Old Peak Finance LLC ("Old Peak") is a registered investment adviser with US Securities and Exchange Commission (SEC). Old Peak will only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements.