

HOW TO HELP YOUR PARENTS WITH THEIR FINANCES

CARING FOR YOUR PARENTS: EDUCATION FOR THE FAMILY CAREGIVER®



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Money is an important concern at any age, but for seniors, money management and financial and estate planning are three issues that must be carefully thought out and well organized. In many cases, income for seniors gets reduced or remains stable, but expenses, especially for health and medical care, are likely to rise.

Without careful financial balancing, some seniors may put themselves at risk for illness by skipping meals, medicines, or home repairs in order to save money. Others forego socializing and vacations which can lead to depression. Some become so concerned about having enough money that they let down their guard and become a target of a scam.

Senior scams are costing older adults their life savings, their homes and even their lives. Seniors often worry they will outlive their money and are concerned that they might not be able to continue to live the lifestyle to which they have become accustomed. Some may get caught up in these schemes because they are looking for ways to improve their financial situations.

All of this sounds pretty scary. To help, this workshop will give you ideas to get your parents financially organized, teach you how to pull together a professional services team, help you learn about options for financing care, and give you day-to-day ways to help parents manage their money and prevent them from becoming victims of fraud.

PULLING TOGETHER A FINANCIAL AND ESTATE MANAGEMENT TEAM



Helping your parents plan ahead in managing their estate and financial affairs is vital to both their physical and financial health. Making sure their investments are protected, insurance is in place, and taxes are being paid will save them and you lots of future headaches.

Don't wait until there is an emergency or crisis to get their paperwork in order. Here are the five documents that will ensure that you can assist your parents in a medical or financial emergency and, at their deaths, ease the distribution of their estate:

1. **A medical directive, also known as a living will or advance health care directive.** This document sets out what kind of care your parents want to receive if and when they become ill or incapacitated.
2. **A durable power of attorney for healthcare and HIPAA release.** A durable power of attorney for healthcare allows you to make healthcare decisions for your parents. A HIPAA release gives you access to your parents' health records and physicians.
3. **A durable power of attorney for finances.** This allows you to manage your parents' financial affairs, pay bills, and sell property while they are still alive.
4. **A revocable living trust** allows your parents to retain control over their estate while making transfers of assets to beneficiaries. Your parents designate what property – such as a home, investments, and jewelry – goes into the trust and to whom it will be granted.
5. **A will.** This makes it clear who will receive your parents' assets and personal property. A properly written will helps to avoid disagreements over your parents' estate after their deaths.

Note: during their lifetimes, your parents act as executors of their own living trust. A revocable living trust has an important advantage: it allows their estate to avoid probate at the time of their deaths.

Professional services team:



To help ensure everything is in order, work with your parents to a organize team of experts including an **attorney** – to help with the legal matters mentioned above – as well as a financial planner, an insurance counselor and a tax professional.

- Remind your parents to check with their **financial planner or investment counselor** on a regular basis. Make sure their advisor has them in low-risk investment vehicles and that a portion of their funds are accessible in an emergency.

If your parents don't have a financial advisor in place, seek out services at firms that come recommended by local senior care resources or through your parents' banking institutions. Look for someone who is a certified financial planner, or CFP, and be sure it's clear how the planner's services will be paid for.

Also, advise your parents to get a second opinion on investments and financial purchases, especially if they are approached about changing any of their investments.

- The next member of the team is an **insurance counselor**. Beyond health insurance, you can ask them about the pros and cons of long-term care insurance and whether your parents have enough or need additional life insurance coverage.

The insurance expert can also provide guidance on insurance investment vehicles and work with your investment advisor to see if these opportunities may make sense for your parent's financial situation.

- Don't forget the **tax advisor** – preferably a CPA, or Certified Personal Accountant. It's easy for any of us to get tripped up by new and current tax laws. Your parents may be receiving certain funds or payouts that require them to pay quarterly tax payments. If not paid in a timely fashion, your parents could be subject to penalties that could deplete their resources.

The cost of hiring a tax professional is a wise investment over paying fines and penalties that could have been avoided. Plus it lessens stress and could help avoid having to go through an audit by the IRS.

Tip

There are many great resources on the Internet. Visit the AARP website at www.aarp.org. Also, check with the Financial Planning Association at www.fpanet.org.

Notes:

FINANCING OPTIONS FOR CARE

Most often, elder care is financed through a mix of resources, including savings. Let's look at some of these options.

- **Long-term care insurance** has become an increasingly popular way of funding elder care. Long-term care insurance plans can be written in a variety of ways to provide a range of benefits and cover caregiver expenses for varying lengths of time.

When considering these complex plans, bring in the assistance of your parents' professional services team including insurance and financial advisors. You might also consider getting the advice of a geriatric care manager.

Did you know...?

About 8 million Americans are now covered under long-term care insurance policies.

- **A reverse mortgage** is a relatively new source of income available to seniors over the age of 62. Here's how it works. Let's assume your parents have paid off the mortgage on their home and it has a market value of about \$500,000. They might enter into an agreement by which the bank would in effect pay them an income-tax-free mortgage of \$2,000 per month.

Typically your parents would be allowed to remain in the home as long as they lived or chose to stay. They would have to continue to pay real estate taxes and upkeep, including major repairs.



If one of your parents dies, the survivor would be able to continue living in the house until he or she dies or moves in with family or a long-term care facility. At that point, the estate would generally be required to sell the house and pay the bank the cash the owners have received, plus interest and fees.

Reverse mortgages are complex and have considerable consequences for the estate. Your parents should seek the advice of their attorney and financial planner before entering into such agreements.

- The **“life settlement”** is another recent senior care funding innovation. In this option, the senior's life insurance is treated as an asset in much the same way as a house or mutual fund. With a life settlement, the senior's life insurance policy is sold to an investor while the policy holder is still alive for considerably more than the cash surrender value of the policy, but far less than its face value.

At the time of the sale, your parents will receive a lump-sum payment, mostly likely less than half the face value of the policy depending on age, health and other factors. The investor will continue to make premium payments and will collect its full face value when your parent passes on.

This financing option may provide quick access to much needed monetary resources for your senior, but in the end, it's the investor who profits. Like reverse mortgages, the life settlement financing options have many complexities. It is best to get the advice of a financial advisor before proceeding with any agreement.

- **Medicare** is among the more common ways to finance medical care and health services. This is a federal health insurance program that covers almost all Americans over the age of 65 for a large share of their medical expenses such as hospitalizations, doctors' bills, x-rays and therapies.

The senior generally has to make a co-payment for a part of those services, but these days many seniors have privately funded so-called medigap policies to supplement Medicare.

Medicare does not pay for non-medical care, including long-term care and assistance with daily living activities, except for a few instances. They will pay for a portion of skilled-rehab care, rehabilitation

therapies and limited care visits at home, but only if it is improving the senior’s condition. Also, Medicare will pay for homecare services once a senior has entered hospice care.

- A **Medicare Advantage** plan is a new alternative for seniors. This is a private-insurance alternative to Medicare’s traditional deductible and co-payment systems and does not require a medigap policy. Some Medicare Advantage plans have small monthly premiums, but typically much less than a medigap premium.

While Medicare Advantage plans can add services typically not covered by Medicare – such as annual physicals and other preventative services – none of them provide any custodial long-term care coverage beyond Medicare’s skilled, rehabilitative services.

- **Medicaid** is a program often confused with Medicare because they are both health care programs. But Medicaid is a “means tested” welfare program designed to help the poor of all ages, including the elderly. For those over 65, it will help pay for nursing home costs once they have exhausted all, or most, of their own means.

Typically Medicaid eligibility comes into play after the family “spends down” a senior’s assets until there is only about \$2,000 left. Federal and state Medicaid laws have changed in recent years to severely restrict and penalize any efforts by seniors or their families to “artificially impoverish” a senior by giving away or spending down a senior’s assets in order to qualify for Medicaid.

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DAY-TO-DAY WAYS TO HELP SENIORS MANAGE THEIR MONEY AND SPECIAL SITUATIONS

If you visit your parents and notice unopened bills, a desk in disarray and a stack of bank statements, perhaps it’s time to broach the subject of helping them with the day-to-day management of their finances. Here are some ways to help:

- If your parents agree, **get permission to access their online banking, bill-paying and financial management materials.** Taking care of these tasks can be easily accomplished from the comfort of your own home and may provide needed relief for your parents.

Note: you may need to visit the banking institution with your parents to fill out some forms, or if you have durable power of attorney for your parents you will be able to access their accounts and make changes on their behalf.

Did you know...?

A Duke University study estimates that 14% of people over age 70 have some form of dementia.

Source: Roya Wolverson, Smartmoney.com

- See if your parents will allow you to **help them get their financial files organized**. Perhaps the pile of bills and banking statements is daunting so they are just avoiding it. You can help organize the pile into priorities for payment and file away forms that don't need immediate attention.
- Encourage them to allow you to **make a list of all of their accounts** and put it in a safe place. Also, see if they will allow you to take a copy of the list along with copies of important estate documents such as wills, trusts, and medical directives. That way, you'll be able to access the forms quickly and easily.
- **If your parents are intent on managing on their own**, don't argue, but do try to find solutions that work for all of you. See if they would be willing to hand off financial matters to a member of their professional service team, such as an accountant, or enlist someone else to help, such as an older relative or friend.

What about helping seniors who have cognitive problems? According to dementia experts, the problems are often a lot more serious than forgetting how to balance their checkbooks.

Already, there are thousands of cases of seniors with dementia who are trading stocks to their own detriment or investing in risky products that have led each to lose hundreds of thousands of dollars. It's a situation that leaves everyone from brokers and financial planners to family members caught in a tragic bind.

So what do you do? As soon as you notice your parent going downhill or he or she is diagnosed with dementia or Alzheimer's, work to get their financial affairs in order fast. Incapacity can come on quickly.

Notes:

WARNING SIGNS OF FRAUD

Fraud among the senior population is a serious issue and not just from a loss of money and savings. The stress, shame and fear associated with being scammed can have horrible effects on your senior loved one's health.

Here are several reasons why the elderly are targeted for fraud:

- Seniors are likely to have a "nest egg," own their home or have excellent credit, all of which will appeal to a con-man.
- Individuals who grew up in the 1930s, 1940s, and 1950s were generally raised to be polite and trusting. The con-man will exploit these traits knowing that it is difficult or impossible for these individuals to say "no" or just hang up the phone.
- Seniors are less likely to report a fraud because they don't know who to report it to, are too ashamed at having been

Did you know...?

Victims of elder mistreatment, including exploitation, have a three times higher mortality rate than non-victims.

Source: Journal of the American Medical Association

scammed, or do not know they have been scammed. In some cases, an elderly victim may not report the crime because he or she is concerned that relatives may come to the conclusion that the victim no longer has the mental capacity to take care of his or her own financial affairs.

- When it comes to products that promise increased cognitive function, virility, physical conditioning, or anti-cancer properties, seniors make up the segment of the population most concerned about these issues. In a country where new cures and vaccinations for old diseases have given every American hope for a long and fruitful life, it is not so unbelievable that the products offered by these con-men can do what they say they can do.

According to the National Association of Triads, Inc., there are five common senior scams:

- 1. Prizes and sweepstakes scams.** Seniors are told they've won a sweepstakes and all they need to do is to send a check to cover the taxes. Or, they receive a fake check for \$5,000 and are encouraged to deposit the money and send back \$2,000 to cover the taxes. By the time it's determined that these checks, which often come from an overseas bank, are worthless, the senior has lost his or her money. Also, there are magazine sale scams where seniors order magazine subscriptions that never show up.
- 2. Home improvement fraud.** Criminals will knock on a senior's door offering to fix their driveway, then paint it black and charge the senior \$3,000. Or seniors are asked to pay up front to have their roof fixed, never to see their alleged repairman again.
- 3. Phishing schemes.** Seniors receive a call from someone claiming to represent a bank or other reputable financial institution. They're warned that their financial information or credit cards have been compromised and are asked to verify their bank account number or call an 800 number where they're asked for their personal financial information.
- 4. Internet fraud.** Seniors, unfamiliar with how to use the Internet, can unwittingly give their credit card information to a scammer.
- 5. Identity theft.** Seniors who give up their birth date and Social Security number can open their entire financial history to a thief.



Notes:

HOW TO PREVENT FRAUD

You can't be with your parents around the clock and screen all of their calls and activities. However, there are a few things you can watch for to help protect your senior loved ones from becoming a victim of a scam:

- **Watch for unusual activity.** Seniors who are scammed may be embarrassed and try to hide what's happened. Watch for changes in their lifestyle as well as any other unusual financial or business activity.
- **Be on guard for individuals who have befriended your loved one.** Lonely or isolated seniors may be vulnerable to con-men who befriend them and provide them with companionship. Ask to talk to your parent's new friend to find out more about him or her. A thief won't stick around long to chat.
- **Investigate organizations looking for money.** Often seniors want to donate to organizations and other worthy causes. Help your loved ones check those out by requesting written information on the organization and reviewing it thoroughly.
- **Assist seniors with their finances.** If a senior can no longer handle his or her finances, encourage your loved one to put a plan in place that can help ensure bills are paid and his or her assets are protected. That plan may include your senior designating a financial power of attorney.
- **Destroy information that could be compromised.** Make sure your senior shreds all financial information and credit card offers before discarding them in the trash.
- **Seek out a second set of eyes.** If you live a distance from your loved one or can't always be there, help your senior build a support network. This can include neighbors, friends, trusted church members or professional caregivers like those from Home Instead Senior Care.

Resources

SALT (Seniors and Law Enforcement Together) is an organization that brings together senior volunteers, law enforcement, and the community. They have 17,000 volunteers who go into the homes and organizations of seniors to talk about safety. Also, the FBI has a number of tips on their website to help seniors avoid all kinds of fraud. Visit www.fbi.gov and search "senior citizens" for more details.

If you suspect that your senior loved one has become the victim of a scam there are several things you should do:

- Contact the local law enforcement agency where your parents live and file a report. By notifying them as soon as possible, you might help catch the con men and prevent other seniors from suffering the same fate.
- If your parent's bank accounts or credit cards have been compromised, contact the affected financial firms immediately. They can cancel cards and put stop payments on checks to prevent any further loss.

Notes:

TAKING ACTION

Taking on your parent's financial management can be a daunting task. Thankfully, there are reputable services and firms to help make financial management easier, as well as steps you can take to get your senior loved one financially organized. Also, being aware of common fraud schemes puts you and your parents ahead of the criminals and less likely to fall victim to their scams.

Think about your next steps, and how you can create your own action plan:

1. My deadline for pulling together a financial and estate management team is:
2. One financing option for care that I will look into further is:
3. Resources I need to search, talk to, or meet with to help my loved one with their finances are:
4. Things I can do now to help my parents with day-to-day money management and prevent fraud are:

ACTION PLAN:
