

Talking with Aging Parents about Finances

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Provides strategies for dealing diplomatically with family finance issues with aging parents.

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AT SOME POINT IN THEIR LIVES, PARENTS

and adult children will face the challenge of talking about the financial issues associated with potential chronic illness, disability, mental incapacity or death. Rationally, we may know that the best way to minimize feelings of helplessness and stress is to plan ahead. Emotionally, however, we may find it difficult to talk about these issues. The situation can be more complicated if there have been years of underlying tensions or misunderstandings among parents and their adult children.

This fact sheet provides strategies to help overcome barriers that often hinder conversations with aging family members about money. It also explores alternatives to consider if a parent is healthy but needs assistance with finances, and examines legal options if one or both parents should become incapacitated.

Strategy No. 1: Plan ahead

Many families do not discuss finances until a crisis occurs – then it may be too late. Once a parent suffers mental incapacity, options are reduced, and procedures become more complicated and costly. In addition, others – including social workers, physicians, lawyers, judges, and court-appointed guardians and conservators – may become involved in the decisions. Although such professionals typically are competent, they may be unaware of a parent's wishes because they become involved after mental incapacity has become an issue.

Sometimes people hesitate to discuss financial concerns with their parents for fear of appearing overly interested in their inheritances. After all, talking about passing on Mom and Dad's money usually means talking about the circumstances under which it will be transferred. Few of us want to start a conversation with, "Dad, when you die..." or "Mom, if you become unable to make decisions..."

Each family is unique. While this publication speaks to the grown children of aging parents, the authors recognize that in some families it may be the parents who need to persuade their children to talk about future financial arrangements. We hope that the material included here will be helpful to older family members trying to get reluctant "youngsters" to help them plan for the future.

Planning ahead requires anticipating negative situations – dependency, disability, incapacity, and death – and exploring solutions to these uncertain, hard-to-face problems. Discussion of such topics can make everyone feel uncomfortable. Most of us do not like to think of the day when our parents may not be able to manage their finances. In fact, parents themselves worry about becoming mentally incapacitated, outliving their retirement savings, or facing bankruptcy caused by long-term health-care costs. Some may have heard the sobering statistic that more than 90 percent of elderly nursing home residents find themselves in poverty

within a year of entering the home.

Despite these anxieties, there are good reasons to plan ahead. If families understand the financial and legal issues involved in planning for incapacity, they may protect parents' assets from mismanagement, fraud or exploitation by others. Although it will not reduce the emotional pain that accompanies disability, planning ahead can:

- help reduce decision-making in times of crisis and make decisions easier in difficult times;
- reduce emotional and financial upheaval later on;
- ensure that your parents' life-style, personal philosophies and choices are known before the time comes when they are not able to participate in making decisions;
- increase the options available to older persons and their families;
- decrease the possibility that the family will have to engage in more intrusive, restrictive activities, such as taking court action to seek a guardianship or conservatorship;
- reduce disagreements among siblings about "what Mom or Dad want" and how assets should be handled.

Planning ahead does not prevent all problems, but it does provide parents with more options and enables their families to act more effectively.

Strategy No. 2: Talk among family members

Discuss the future with family members while all parties are comparatively healthy and financially secure. Perhaps the issue could be raised as a result of a life event, such as a friend's move into a long-term care facility, the extended hospitalization of a relative following a heart attack or the death of an acquaintance who had no will.

Another way to begin a conversation is to share your preferences and plans in the event of your own serious illness or death. This may open the door to discussion. Remember, mental incapacity is not always a function of getting older; a debilitating accident could happen to anyone, regardless of age. Parents may question the motives of adult children who express concern about parental finances but have not prepared their own living wills, powers of attorney for finances or powers of attorney for health care.

When and where discussions are held can have a tremendous impact on outcome. If possible, avoid discussion of finances during emotionally demanding events such as holiday celebrations. A relaxed, shared activity, such as walking, golfing or baking may diffuse some of the tension when the conversation turns to money.

Remember, it's difficult for many people to talk about finances, especially when discussing incapacity and inability to manage their finances. Talking about potential loss of control can be even more difficult if the older person is already experiencing health changes. Grief, frustration, uncertainty and anger may be expressed. Feelings are likely to be particularly strong if your parent fears that he or she is giving up control. Even if these feelings are not verbalized, be aware that your parents may have them. Be sensitive to and acknowledge your parent's feelings and preferences,

recognize his or her needs to be independent and in control, and do all you can to maintain your parent's dignity.

Try to imagine how the situation looks and feels from your parent's perspective. Ask yourself, "How would I feel if I were in Dad's shoes?" Give your parent your attention, listen to what is said and communicate your understanding. Parents who sense empathy and understanding are more likely to listen.

A good way to start a discussion is for all family members to express good intentions and a willingness to listen carefully. The objective is to set the right tone. Avoid an aggressive approach that may sound like a power play. Don't say or come across with an attitude of, "I know you're going to have financial problems as you get older, and I know how to solve them for you." Make it very clear that you are acting out of concern, not self-interest. An effective way to express this concern is to begin with "I" instead of "you." "I'm worried that if something happens to either one of you, we won't know what to do." Or, "With the rising costs of health care, I'm concerned that a major illness could wipe out your resources."

Respect your parents' right to make choices as long as they are capable of doing so. In some cases, an older person's view of what is best may differ from that of other family members. This does not mean that any one view is wrong. Differences of opinion may result from different attitudes, values or desires. Even if you disagree with their choices, show respect for your parents' right to make choices – it's essential for an open discussion.

Unless your parent clearly has passed the point of effective functioning, you should not presume to decide what is best for him or her. As long as your parents are healthy and capable, the participation of other family

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members in their financial affairs should be by invitation only. Although it may be frustrating to you, it is perfectly legitimate for parents to say that there are some topics they choose not to talk about with the “kids.” They have a right to financial privacy!

If your parents don't feel comfortable talking directly with you about their personal finances, suggest that they talk to another family member, an attorney, or a financial advisor who specializes in working with older persons. Another possibility is to send your parents appropriate books or articles from financial magazines and newspapers. MSU Extension publishes MontGuides (fact sheets) on estate planning, living trusts, powers of attorney and living wills. (See “Further Information” on p. 8 of this MontGuide). Other sources of information include AARP, the Montana Senior and Long-Term Care Division, and local Area Agency on Aging. (See list of organizations on p. 8 of this MontGuide).

Strategy No. 3: Hold a family meeting

Another approach is to hold a family meeting. Phone or write your parents and explain that you and your siblings would like to discuss some concerns at a convenient time when the family is together. The family member your parent is most likely to listen to may be the best person to make the call.

If a phone call or letter initiating a discussion about these issues would upset your parents, you may want to wait until the family is together. At that time you can explain that you would like to have a family conference to discuss financial decisions that would have to be made if one or both parents developed a chronic illness, became disabled or mentally incapacitated, or died. If possible, however, avoid emotionally charged and tiring times for the talk.

Involve appropriate family members. Your parents' wishes should determine who takes part in the discussions. Some families have found it advisable to include as many members of the immediate family as possible. Excluding an adult child without his or her agreement may result in problems later.

If a parent has divorced and remarried, it is appropriate to include the new spouse in the discussions. Parents should decide whether or not they are comfortable with sons- and daughters-in-law present.

Regardless of who is involved, everyone should respect the parents' need for privacy regarding their finances.

If family relations are so tense that some adult children will not participate in a family meeting if other siblings are present, it may help to suggest that an outside person such as a lawyer, financial planner, social worker, family counselor or therapist facilitate the meeting. Often, the

Family finance discussion points

- ✓ Do you have a will? If so, where is it located?
- ✓ Have you granted someone a power of attorney for financial affairs? If so, who has the power, and where is the document located?
- ✓ Have you written a power of attorney for health care? If so, who has the power, and where is the document located?
- ✓ Do you have a safe deposit box? Where is the box located and where is the key? Where is the list of contents?
- ✓ What is the location of essential personal papers – birth and marriage certificates, dissolution of marriage documents, Social Security and military service records?
- ✓ Where are life, health and property insurance policies kept?
- ✓ Have you made a list of investments (savings accounts, certificates of deposit, stocks and bonds, etc.)? What are the mailing addresses of the institutions that have the investments?
- ✓ Have you made a list of the personal and real property that you own? Where is the list located?
- ✓ Who are your financial advisors? What are their names and addresses?
- ✓ Have you developed a letter of last instruction? If so, where is it located?
- ✓ If you have a retirement program, is there a death benefit for survivors? If so, whom should the survivors contact?
- ✓ Do you have a living will?
- ✓ Is your living will registered at the Montana End-of-Life Registry? (See MontGuide, *Montana's End-of-Life Registry*, [MT200602HR.](#))

mere presence of an “outsider” will keep the mood calm and businesslike. However, an outsider’s presence may prevent openness among family members. You decide what’s appropriate for your situation.

Prepare for the meeting. Before the family meeting, make a list of concerns to be discussed and questions to be answered. (See list of discussion points p. 3.)

Remember some parents may not feel everyone needs to know the details of their financial situation. What is important is that the parent has:

- gathered together financial information,
- made known to at least one family member the location of important papers,
- prepared for the possibility of incapacity, and
- considered how to pay for long-term care should the need arise.

Before initiating the discussion, decide who will take notes. At least one person should record any items that require follow-up, such as confirming who was designated to find information about a power of attorney or checking into the cost of long-term health care insurance.

At the meeting, start with the basics. Begin by making a list of where financial documents are kept. Important records include savings and investment accounts, Social Security numbers, insurance policies, pensions, contracts, and debts. And while you are expressing concern about your parents’ financial records, you should also be able to account for your own. Your parents may question your sincerity if you say they should have this type of list when you don’t have one.

Be willing to compromise. A mother who has said she would not go to a nursing home may prefer that alternative to living with a daughter whose home is 1,500 miles away. In a local nursing home, friends and relatives could stop by and visit. In her daughter’s community, the mother may know no one beyond her immediate family.

Adult children who try to make financial decisions for their parents during the meeting because they think they are the “experts” can become the focus of resentment from both parents and siblings. Keep in mind that the purpose of the meeting is to discuss money issues and the parents’ wishes, not for siblings to demonstrate their financial wisdom.

Follow up on the discussion. At the end of the meeting, review the notes and encourage everyone to act promptly on any decisions that were made. A son may check on the costs of long-term care insurance while a daughter gets a copy of the living will declaration. One parent may visit the local Area Agency on Aging, while the other writes AARP for information. Other actions may involve setting up a meeting with an attorney or financial planner to answer questions about estate planning and other matters. If parents are too frail to accomplish the tasks, jobs can be divided among family

members based on time available, skills and geographic proximity. However, parents who are capable can do the tasks themselves.

Remember to appreciate your parents’ capabilities. Too often, when people become frail we tend to focus on what they can no longer do. Although the proportion of older people reporting difficulty with one or more personal care activities rises from 15 percent for people aged 65–69 to 49 percent for people 85 years old and older, it’s important

to focus on what your parent can continue to do. Allow him or her to retain as much control as possible over his or her finances.

Alternatives and legal options

Some parents have difficulty accepting any kind of financial counsel, especially from their adult children. Family members may have to maintain a delicate balance between providing assistance and assuming control. Your parents are likely to resist strongly if you take a “parent-like” stance with them.

Helping out with money management

Older persons with limited mobility, low vision, loss of hand dexterity, or failing memory may ask for assistance in managing their finances. Needs may be limited to help with reading fine print, balancing a checkbook, preparing checks for signature, or dealing with Medicare and other benefit programs. People who are home-bound because of poor health, but still able to direct their finances, may need someone to pay the bills. Because of severe disability, some older people need someone to manage all of their financial affairs.

There are several options for older people who need assistance in managing their finances or who may need assistance in the future. These include joint checking accounts, powers of attorney, living trusts, appointment of

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a representative payee, conservatorship, and guardianship. Each alternative has advantages and disadvantages to consider in light of your family's circumstances.

Joint checking accounts. Joint checking accounts provide an easy way to sign checks and pay your parent's bills while your parent keeps a sense of control, particularly if he or she retains the checkbook. A joint account can be established by putting your name on the signature card as an additional authorized signatory or by having your name added on both the checks and signature card as joint tenants with right of survivorship. Because such a designation means the joint owner will have as much access to the account as the parent, a family member who would be tempted to convert the account to his or her own benefit should not be designated.

A joint account with right of survivorship means that when one owner dies, the account automatically belongs to the survivor. Other family members would not receive any of the assets in the joint account. This designation supersedes any bequests written in a will.

Example: Mrs. Jones wrote in her will that she wanted the balance in her \$50,000 checking account to go to her daughter, Susie. Unfortunately, the assets didn't go to Susie because Mrs. Jones had the account in joint tenancy with right of survivorship with her son, Johnny. If Mrs. Jones had had the account in her name only, Johnny would not have received the \$50,000. Instead, the money would have gone to Susie as indicated in Mrs. Jones' will.

If not properly handled, a joint account can present complications in terms of taxes, eligibility for government benefits and disposal of funds at death for either party.

Multiple party accounts: Multiple-party accounts can be paid on request to two or more parties. With multiple-party accounts, one party may withdraw the entire amount on deposit in the account. Further, any one party may change the type of account. If there is no right of survivorship, the amount that a party is entitled immediately before death passes as part of the decedent's estate.

Example: Jane has \$50,000 in her account. After reviewing the form (page 7) she decided to mark multiple-party account without right of survivorship because at her death she wants the \$50,000 divided among her three children and not all going to the one child that is signing the checks.

The Montana statute provides a uniform single- or multiple-party account form that financial institutions may use although it is not required. The form provides a convenient checklist of features that allow the depositor to choose among the type of accounts. (see form on page 6).

Explore the full legal consequences of a multiple party account with an attorney before selecting this option.

Representative payee. If disability makes it difficult for a parent to manage pension or public benefit income, an adult child, other relative or caregiver may become a Representative Payee to receive and disburse funds for the disabled person. Social Security, Veterans Affairs and other public agencies may appoint a

representative payee if a beneficiary is unable to manage funds. Government agencies prefer to appoint a spouse, a relative such as an adult child, or a friend.

To arrange for representative payee status, contact the appropriate agency for an application form and instructions. Medical confirmation that the older person is not able to manage his or her benefit payments is required. The benefit agency provides instructions on how the funds are to be held, accounted for, managed and disbursed.

Power of attorney. A power of attorney is a written document in which a person (the principal) gives another person (the attorney-in-fact) legal authority to act on his or her behalf in financial transactions. Having confidence in the person to whom a power of attorney is given is critical. Since no one supervises the person who has power of attorney, abuses are possible.

A person may give either a **general** power of attorney or a **special** power of attorney. A **general** power of attorney is a broad grant of power for the person named as the attorney-in-fact to perform any financial transactions on behalf of the principal that the person could do himself or herself. A **special** power of attorney is limited in scope, authorizing the designated person to do a limited

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UNIFORM SINGLE- OR MULTIPLE-PARTY ACCOUNT FORM

Parties (Name One or More Parties): _____

Ownership (Select one and initial):

_____ SINGLE-PARTY ACCOUNT _____ MULTIPLE-PARTY ACCOUNT

Parties own account in proportion to net contributions unless there is clear and convincing evidence of a different intent. However, any one party may withdraw the entire amount on deposit in the account. Further, any one party may change the type of account.

Changing terms of account (Select one and each party initial)

_____ MULTIPLE-PARTY ACCOUNT’S TERMS MAY BE CHANGED BY A SINGLE PARTY

_____ MULTIPLE-PARTY ACCOUNT’S TERMS MAY BE CHANGED ONLY BY AGREEMENT OF ALL

Rights at Death (Select one and initial):

_____ SINGLE-PARTY ACCOUNT

At death of party, ownership passes as part of party’s estate.

_____ SINGLE-PARTY ACCOUNT WITH POD (PAY ON DEATH) DESIGNATION

(Name one or more beneficiaries): _____

At death of party, ownership passes to POD beneficiaries.

_____ MULTIPLE-PARTY ACCOUNT WITH RIGHT OF SURVIVORSHIP

At death of party, ownership passes to surviving parties.

_____ MULTIPLE-PARTY ACCOUNT WITH RIGHT OF SURVIVORSHIP AND POD (PAY ON DEATH) DESIGNATION.

(Name one or more beneficiaries): _____

At death of last surviving party, ownership passes to POD beneficiaries.

_____ MULTIPLE-PARTY ACCOUNT WITHOUT RIGHT OF SURVIVORSHIP

At death of party, deceased party’s ownership passes as part of deceased party’s estate.

Agency (Power of Attorney) Designation

Agents may make account transactions for parties but have no ownership or rights at death unless named as POD beneficiaries.

(To add agency designation to account, name one or more agents):

(Select one and initial) _____ AGENCY DESIGNATION SURVIVES DISABILITY OR INCAPACITY OF PARTIES

_____ AGENCY DESIGNATION TERMINATES ON DISABILITY OF PARTIES

number of financial transactions or one transaction such as withdrawing a specified sum of money from a savings account to pay bills.

A power of attorney can be granted to last for a specific period of time such as a month, or for an indefinite period of time. In either event, the principal retains the right to revoke or withdraw the power at any time upon notice of intent to the attorney-in-fact and other interested persons. The power of attorney automatically terminates on the death of the principal.

A *durable* power of attorney does not terminate if the person granting the power becomes mentally incapacitated. A *durable* power of attorney can also be written so that it “springs” into existence only if and when a person becomes incapacitated or incompetent, as diagnosed by a physician, and is unable to direct his or her own affairs. However, such a “springing clause” must be defined very clearly or it may not be honored by financial institutions. (For more information, see MontGuide, *Power of Attorney*, [MT199001HR](#).)

Living trust. A living trust is another way a person can assure management and protection of assets if he or she becomes incapacitated in the future. A trust is an arrangement whereby designated assets are transferred from one person (grantor) to another person (trustee) who holds and manages the assets for the benefit of the beneficiary. The grantor, trustee, and beneficiary may be the same person or they can be different. The trust agreement contains specific instructions about the management and distribution of the assets to the beneficiary. For example, a mother may name herself as trustee of her assets until she becomes incapacitated, at which time her successor trustee, a daughter, will take over the duties of trustee.

Unlike a will, a trust is not subject to probate and does not generally become a matter of public record. An attorney’s legal assistance in setting up a trust should protect everyone’s interests. The person drafting the living trust should understand restrictions on Medicaid eligibility for beneficiaries of living trusts, particularly if there is any possibility the person may need long-term care. (For more information, see MontGuides, *Revocable Living Trusts*, [MT199612HR](#), and *Medicaid and Long-Term Care Costs*, [MT199511HR](#).)

Conservatorship. A conservatorship is a court-ordered protective relationship whereby an individual is appointed to manage another person’s financial affairs after that person has become unable to do so. An attorney must file a petition with the court and a judge decides if the older person is legally competent. Other rights such as the right to vote, to marry or to write a will remain intact. The conservator is responsible to the court and must make an annual accounting of money spent on behalf of the incapacitated person.

Guardianship. A guardianship is a court-appointed protective arrangement for a person found to be incapacitated and in need of someone to oversee his or her personal freedom of movement and decision-making so that essential requirements for physical health and safety will be met. Montana law defines an incapacitated person as “anyone who is impaired by reason of mental illness, mental deficiency, physical illness or disability, chronic use of drugs, chronic

intoxication or other cause to the extent he or she lacks sufficient understanding or capacity to make or communicate responsible decisions concerning his/her person.”

A guardianship may be used only as is necessary to promote and protect the well-being of the incapacitated person. A limited guardianship has rights, powers and duties specified by the court.

Montana law requires every guardian and conservator to complete an "Acknowledgement of Fiduciary Relationship and Obligations." The form is available online at www.montana.edu/estateplanning/acknowledgementoffiduciaryrelationship.pdf.

Summary

Although it is difficult for any of us to face the possibility of dependency, disability, or incapacity – not only of our aging parents, but also of ourselves – planning ahead is wise. Planning can help families avoid disagreements over care and finances and help alleviate the stress of making difficult choices in crisis situations. Understanding the financial and legal issues involved in planning for incapacity may help to protect parents’ assets from mismanagement, fraud, or exploitation by family members, other caregivers or guardians.

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Further Information

Montguides

Montana State University Extension publishes Montguides written to assist families with estate planning. They are available online at www.montana.edu/estateplanning/eppublications.html. For paper copies, contact your county or reservation MSU Extension office or Extension Publications, P.O. Box 172040, Montana State University, Bozeman 59717; (406) 994-3273.

Organizations

Montana Department of Public Health and Human Services, Senior and Long Term Care Division

111 N. Sanders, Room 210
Helena MT 59604
800-332-2272
www.dphhs.mt.gov

Area Agencies on Aging

Toll Free: 800-551-3191

AARP

601 E Street NW
Washington DC 20049
888-687-2271
www.aarp.org

Additional websites

5 Tips for Talking With Your Aging Parents About Their Finances and Health, Merrill Edge. www.merrilledge.com/article/5-tips-talking-with-your-aging-parents-about-their-finances-and-health

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