



OLD NORTH STATE TRUST, LLC

Is it time to have 'The Talk' about finances with an aging relative?

Few challenges are more emotionally wrenching than facing the reality that a relative – a parent, especially – needs help with the tasks of daily living, especially making financial decisions. Younger people owe our older family members the consideration and respect to approach them, sensitively, to ensure they are well prepared for the future.

We advise clients who are facing such situations to raise several specific questions when having these conversations with their loved ones. At the same time, we recommend being alert to warning signs that somebody might be trying to take advantage of an elderly relative.

The first question is broad, open-ended, and probably the easiest way to start this important discussion. Simply put, it's "How are you feeling about your financial health?" Whether you have your own ideas and recommendations or not, it's always useful simply to listen at this stage. That's not just to learn about specific nuts-and-bolts details of a relative's finances. Just as important, it's to gauge their emotional approach to money questions. Carefully considering a person's hopes and fears is crucial to responsible financial management. A useful follow-up to the "how do you feel" question is to ask if the family member is already getting helpful advice, and if they would like help from a professional financial planner.

That gets to the second major question, which is about specifics: Does the relative have an estate plan? That plan might be simple, but it is also very likely to contain several components, including a will, life insurance policies, beneficiary designations on bank, investment, and retirement accounts, and possibly a trust, too. It should also include a Durable Power of Attorney, Healthcare Power of Attorney, Living Will and other documents.

The plan may be complete, well-thought-out, and up to date. Or not. Either way, too many people play these matters so close to the vest that it can be very difficult for anyone else to figure out the specifics after they're gone. Or when they're no longer able to manage their affairs themselves. So, finding out what the particulars are, including such mundane details as where all the documents are filed, is a crucial part of this conversation. Often, only one spouse handles the financial affairs and the other spouse is completely in the dark about these matters. Unfortunately, it's usually the spouse with the knowledge that tends to pass away first and leaves the survivor with no knowledge of what they have or where to start and at a most vulnerable time. This leaves them exposed to anyone wanting to prey on them.

A couple of detailed follow-up questions address this. Such as: "Do you have a list of your important financial documents?" That should include information about where to find insurance policies; titles for real estate, vehicles, and other major assets; pension documents; brokerage accounts and the like. Also, it's important to ask – because often overlooked – is whether beneficiary designations on life insurance policies and retirement plans are up to date. Families change, and so do their circumstances. Children grow up; grandchildren are born; marriages end in divorce or with a spouse's death; and sometimes the names on these documents don't reflect the

owner's present wishes about who should benefit. This part of the discussion will bring you to the next question: "If you become ill, who will handle your finances?" Sadly, many people neglect this important decision, which can leave them vulnerable to abuse. And as average lifespans continue to increase, so does the incidence of dementia, which can rob a person of the ability to manage their own affairs.

Of course, it's easy to say you should have this conversation, but often difficult to actually do it. Aging family members can be proud, or stubborn, or concerned about their privacy, or just in denial about their own mortality. But as hard as it might be to sit down and have "the talk," you owe it to your parents or other loved ones. (Remember: it was just as difficult for them to sit you down and have "the talk" about other matters when you were a teenager! Now it's your turn.)

Unfortunately, thinking about an elder's financial security also requires being alert to warning signs that something unethical might be going on. Unscrupulous relatives, care-givers and others have been known to manipulate trusting older people whose faculties aren't as sharp as they used to be.

- Have power-of-attorney designations been changed recently? This may be entirely appropriate, but it's important that a trusted family member or financial advisor (or both) makes sure the reason matches up with the person's best interests.
- If beneficiary changes have been made, was this because of a life event like a birth, death, or marriage? Question any such change that just doesn't make sense for the owner.
- Have new joint owners or signatories been added to bank or investment accounts? While that could mean a trusted relative or friend is helping to manage the person's assets, it could also indicate somebody wants to take money for their own use.
- Do bank statements show an unusual pattern of cash withdrawals through ATMs? This can be hard to spot unless you're carefully reviewing monthly statements.
- Are certificates of deposit, annuities or other investments being liquidated for no clear reason? Have the proceeds been reinvested in new contracts? This might indicate the owner has been lured to attend one of those "seminars" with a free steak dinner, where a well-dressed salesperson urges them to sell their current holdings and reinvest – with them.

At a minimum, these signals should lead to a new conversation, to ask about the rationale for any change and to find out who might be trying to manipulate the owner. Unfortunately, once an unscrupulous operator gains a vulnerable person's trust, their assets can quickly be looted. While this can happen all at once, more typically it's done gradually, in hopes that nobody will notice. Exactly because of this danger of self-dealing, sometimes the best person to have these kinds of conversations with an aging adult is one who doesn't stand to benefit from the estate. That's one of the valuable services that a professional financial adviser can offer to a client of any age.

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