



Planning for the Future

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Talking About Finances and Legal Matters with Aging Parents

It is not uncommon today for people in their mid-years to have aging parents. They may want to think about their parents' future finances and legal options. Now is the time to make some financial and legal decisions about their future before a crisis occurs.

Many older individuals are very secretive about assets and legal arrangements. While everything is going well, they think finances are their own personal business. But when a crisis strikes, adult children often find they do not have the information they need to assist their parent(s).

A discussion on financial and legal matters will help insure that parents have clearly expressed their preferences and have the opportunity to honor their wishes. Issues to be considered for discussion include management and transfer of assets and dispersal of family heirlooms.

Begin by Planning

There is nothing wrong with children opening a discussion with parents about finances and legal arrangements. Begin planning by having parents make a list of issues that are important to them. But before they take action, make sure that family members who will be affected share ideas and preferences. Remember that many legal and financial decisions will impose substantial emotional, financial, and physical burdens on family members. Should a crisis arise, such as sudden illness, accident or death, family members must bear the burden of making difficult decisions. This can be a very stressful time for families, particularly when preferences are unknown.

The potential for family misunderstanding and conflicts are great in these situations. Many family conflicts can be avoided by having parents put their wishes and preferences in writing and communicating them to family members. If parents would be uncomfortable discussing

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their preferences with family members, encourage them to first talk to a minister, banker, accountant, or a friend they trust.

Talking About Legal Matters

Ask some basic questions in advance:

1. Ask parents if they have someone to take care of personal and financial affairs if they become mentally or physically incapacitated. Parents should have a lawyer draw up durable powers of attorney that designate someone to act on their behalf if they become incapacitated. This can help avoid the costly, time consuming process of petitioning the courts to be appointed as a guardian. The Durable Power of Attorney can be limited to specified responsibilities for managing assets, or it can be general to cover a broad area of decisions regarding financial affairs. In this document, parents can authorize a relative, close friend or trusted advisor to manage the financial affairs on their behalf. For more information, see T-4320, "A Matter of Choice: Durable Power of Attorney."
2. Learn about their plans for dispersal of assets and family heirlooms. Parents cannot take it with them, but they can decide where it goes. Unfortunately, 60% of Americans who die each year die without a will.

Wills

Parents cannot assume that their property will pass on to loved ones. If a person does not have a will, Oklahoma law determines who will get the property. To make sure property goes to the person of their choice, a will should be prepared. Both husband and wife should have a will.

If parents already have a will, it should be periodically reviewed and necessary changes made. It is especially important to review the will if they move to another state, because each state may have slightly different laws. Additionally, if the family situation changes

through marriage, divorce, birth or death of heirs, or if additional assets are acquired, the will needs to be updated. Likewise, changes will be necessary if the person who was named as executor, guardian or trustee is no longer able to be responsible. Make sure to know the location of their will.

To avoid family squabbles, have parents prepare a detailed list of who will receive personal items, such as the lace tablecloth, pearl earrings, or a key chain. Parents should tell everyone where they want all their possessions to go, then attach the list of instructions to their will.

Living Trusts

A living trust allows the transfer of ownership of property to a separate entity called a trust. A trust is managed by a trustee according to rules established in the trust document for the benefit of the beneficiaries named in the trust. A revocable trust allows parents to change the terms of the trust, should they change their mind. An irrevocable trust does not allow a change in terms once the trust document is completed. A trust does not end upon death and is an alternate to a will for passing property to beneficiaries. A trust can reduce probate expenses, simplify an estate plan and ensure the smooth transfer of assets to beneficiaries. For additional information about living trusts, request Fact Sheet F-771, "Trusts: Uses and Considerations," from the Oklahoma Cooperative Extension Service.

Talking About Financial Matters

Financial questions can be delicate because no one wants to talk about their financial affairs. It is common for parents to have savings and investments that their adult children do not know about. Therefore, seek out the following financial information:

1. Find out what assets and liabilities parents have. There may be accounts or property holdings in other states, or even other countries, that children may not know about. A family member may owe them money, yet there is no record of the loan. Get them to write a list of assets and liabilities. Also, prepare a list of the amounts of money on loan to family and friends.
2. Determine what insurance coverage parents have. Do parents have sufficient insurance to cover high medical expenses or long term care that can wipe out savings and investments? A review of insurance coverage may allow them to see the presence of needless life insurance or eliminate duplicate Medigap policies. To insure maximum entitled health insurance benefits from Medicare and Medigap insurance, check out eligibility requirements. Medicare provides hospital (Part A) and medical (Part B) insurance coverage. Although anyone receiving Social Security benefits is automatically

enrolled in Part A insurance coverage, coverage under Part B is voluntary. Medicare benefit coverage, coinsurance requirements and Part B premiums change January 1 of each year.

3. Determine eligibility for Social Security and private pension benefits. Social Security benefits are available to all persons who meet the eligibility requirements. Free personalized benefit estimates are available from the Social Security Administration. Access to Social Security information is available online through www.ssa.gov. Be sure to check on the accuracy of their parents' accounts. Private pension eligibility requirements are available from former employers. Inquire about survivorship rights for a surviving spouse.

Location of Documents and Records

Learn where they keep their important documents and records. After carefully thinking, planning, and taking appropriate actions and developing necessary documents, make a list of all documents and other important records. It is critical that family members know where records and documents can be found.

Financial advisors suggest that people keep copies of all key documents: one in a safe deposit box, one in parents' files and another at their children's homes or at their attorney's office. There are many safe and free or low cost online storage solutions that can be shared between family members and allow all to have access to these important papers.

The important point is to know where to can locate your parents' important papers and financial accounts. Advance preparation can eliminate paper chasing at a time of grief and stress.

To help your parents organize the location of important financial, legal, and other documents, a checklist is provided on the following page.

Letter of Last Instructions

To ease the decision of funeral and burial details, the parents should write a letter of instruction outlining their preferences.

1. Find out where the parents want to be buried.
2. Ask if they own cemetery plots.
3. Determine if a burial insurance policy exists.
4. Determine the parents' preference for funeral arrangements.

Make sure to have parents' best intentions in mind, but do not try to force them into these decisions. They should share only as much information as they feel comfortable discussing. Just make sure to know important legal and financial documents. Making sure parents' needs and wishes are taken care of offers the family peace of mind.

Use the following checklist to organize important records and documents.

| Record or Document | Location |
|--|--|
| Safety Deposit Box | Where is key? List of contents. |
| Wills | Safety deposit box; Lawyer's office. |
| Advanced Health Care Directive | Safety deposit box; With each physician; With each family member; In car or suitcase when traveling; Extra copy for hospital upon admission. |
| Durable Power of Attorney (health care) | Safety deposit box; Appointed power; Lawyer's office. |
| Durable Power of Attorney (finances) | Safety deposit box; Designated power; Lawyer's office. |
| Insurance Policies (life, property, etc.) | Home files with name, address, phone of agent. |
| Personal Documents (birth certificates, marriage licenses, Social Security, Military records, etc.) | Safety deposit box. |
| Bank Records | Home files. |
| Tax Records | Home files or labeled container in attic or garage (six years or more). |
| Bills and Receipts | Home files (current year); Past years with tax papers. |
| Debts | Names and addresses of all persons owed. |
| Contracts | Names and addresses of all parties involved. |
| Warranties | Home files. |
| Household Inventory | Safety deposit box. |
| Retirement Plan (list of beneficiaries) | Safety deposit box; Who should be contacted? |
| Investments (savings accounts, stocks, bonds, mutual funds, etc.) | Safety deposit box with names and addresses of investment institutions |
| Properties owned (list of real and person) | Safety deposit box. |
| List of Personal Possessions | Home files with name of designated person to receive. |
| Deeds, Titles, Surveys, Abstracts | Safety deposit box. |
| Leases (oil, property, etc.) | Safety deposit box. |
| Financial and Legal Advisors (bankers, accountants, brokers, etc.) | Home files (with names, addresses, phone numbers). |
| Letter of Last Instruction & Cemetery Records | Home files or family members. |

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