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summaries

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Intergenerational Planning

Asking one's parents about their finances is a conversation that can be as awkward as explaining the birds and the bees to a younger family member. Unfortunately, many avoid this conversation until some sort of financial or medical crisis occurs causing stress and heartache. At some point, most offspring will be relied upon to help with their parents' finances. Alternatively, parents in their 60s and beyond should give thought to involving their children in financial matters. Involving adult children is a positive step toward avoiding potential disagreements down the road.

Sigma has found the best approach to involving children with their parents' finances is having the parents share information before it is necessary. A family discussion regarding accounts, investments, income and expenses can be very useful when done tactfully. Adult children should know the following regarding elderly parents:

- Name of banks used and types of accounts
- Insurance Policy numbers (including Medicare) and contact information for insurance agents
- Any mortgage information
- Brokerage and retirement account numbers and contact information for account managers
- Income sources (social security, pension, etc.)
- Accountant's name and contact information
- Lawyer's name and contact information
- Doctor's name and contact information
- List of prescription drugs and medical history
- How bills are paid

Discussing where important documents such as property deeds, tax returns, and insurance policies are kept can be helpful. If there is a home safe or safety deposit box, parents may consider sharing the combination or location of the keys. Elderly parents should review and update their will, trusts, medical power of attorney documents as well as financial power of attorney documents. Discussing investment goals and, if appropriate, investment policy statements with adult children can also be advantageous.

To start a conversation that does not end in tears or a shouting match, the adult offspring must use a non-threatening approach. Children can share information about their own finances or estate planning and ask for advice from their parents. Discussing a health or financial emergency experienced by a friend or neighbor can also serve as a conversation starter. One could also have a third party, such as a portfolio manager or accountant, facilitate the discussion. A professional adviser can often see early warning signs that assistance is necessary.

Nevertheless, parents should know they are still in control. When the time does come to take over the managing of their finances, elderly parents should be involved as much as possible.

In many cases, one child may handle the finances while keeping the other siblings regularly informed in writing. Good communication can prevent tension and blowups in the future. Also, making sure parents inform their investment advisor of children's involvement will allow the advisor to have documents drawn up so that appropriate information can be shared with the children. Finally, parents should avoid titling assets jointly with children who may be assisting with financial matters, with the exception of maybe one low balance checking account for emergency expenses. Any assets held jointly with a child will transfer directly to the child at the death of the parent. This can pose problems when there are multiple children or beneficiaries involved.

It can be an awkward topic to bring up, but remember that communication, good planning, and organization are important and will benefit both parents and children. Considering how one would like things handled from both perspectives, as the child and parent, can ease the burden. Sigma has facilitated a number of family meetings with clients. Please let us know if we can be of assistance with this discussion for your own family.

Marisa A. Lenhard, CFA, CFP®

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Sigma Investment Counselors is pleased to provide a copy, and hereby offers to deliver the brochure to any client upon receipt of your written request.

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