

“Tough Conversations”

A Financial Perspective on Aging: 3 Things You Need to Do to Prepare for Senior Care Costs

By: Dana Larsen

While you may not like accepting the fact that your parents are aging and may need help, there's no way around it – everyone has an expiration date. Going 'home for the holidays' is an excellent time to discuss aging, retirement and end-of-life affairs so that you know direct from Mom and Dad their specific wishes and can act on their behalf if anything happens. Plus, it's your chance to start to implement a plan that helps protect not only them and their assets... but also you and yours.

[Andy Smith](#), CFP®, Executive VP of Investments at The Mutual Fund Store and A Place for Mom Advisory Board member, provides financial expertise to families on a daily basis and was kind enough to offer guidance to our readers:

“It's important to have the ‘tough conversations’ about finances and senior care sooner rather than later. On [The Mutual Fund Show](#)®, we talk about wanting people to do this while everyone's healthy and sharp. The longer you wait, the more difficult and expensive these talks may be.”

Smith discusses how people go broke and end up having the retirement they are stuck with rather than the one they wanted all along:

“Your average 65-year-old couple thinks they'll spend around \$50K on healthcare costs throughout retirement. In reality, their number's closer to \$241K. Depending on what they've done all along to prepare for retirement, they may need to drastically rethink some key pieces—Social Security strategies, healthcare cost management, debt service, estate planning...the list goes on. You have to look at all of these things, together, and you have to have the right full-scale plan in place.”

Seek A Professional's Help – But Be Careful

It really helps to work with a professional advisor who can become a “quarterback...someone who can take certain burdens off the family,” notes Smith. Make sure the person ‘on the other side of the table’ is not trying to push a product or just make a sale: “Brokers push people into improper products for any number of reasons: greed, meeting quotas, etc. To avoid this mess, always work with a fiduciary—that's what our advisors are: people who are legally-bound to put your loved one's best interests first,” Smith candidly suggests.

Fiduciaries know that one size does not fit all when it comes to retirement planning, and they'll work to get you organized and take inventory early in the process. They'll also suggest having everyone present from the very beginning who needs to be involved in family discussions—

because, more than likely, you'll be having many conversations and you want everyone on the same page all along the way.

In partnership with your advisor, there are a few steps your family will need to take to get your aging loved one's affairs in order:

1. Gather Needed Information

Getting organized for all the legal documents surrounding your loved one's estate means you'll need to gather a lot of information. The Mutual Fund Store's [Personal Affairs Organizer](#) is easily downloaded and is a helpful tool Smith shares and uses with his clients.

Some, but not all, of the information you'll be gathering?

1. User names and passwords
2. Bank accounts
3. Retirement accounts
4. Proof of ownership (for example, a car or boat title and registration)
5. Marriage license
6. Insurance policies
7. Personal financial statements (including any outstanding debts owed)

Keep information in a secure location that's easily accessible (a safety deposit box or safe) and known to a few trusted family members. (Don't forget to share any keys or passwords needed to access the information!) Letting people know now where things are prevents a scramble later when emotions could be heightened and decisions would have to be made quickly.

2. Prepare Legal Documents (If They're Not Already)

It is vital for your loved one (while physically and mentally able) to prepare key legal documents that will determine their end-of-life care, discuss their care wishes, and protect their estate. Without these documents, families could accumulate significant costs while navigating the courts, and family relationships could become turbulent if disagreements arise regarding care for loved ones. Heartache and court costs could worsen more, too, if any loved ones suffer from cognitive impairment such as Alzheimer's or dementia. These key documents prepared correctly, however, become like gifts to your family.

Documents to create and/or update that empower your family to better control their future?

1. Will – *Someone will need to be appointed to serve as executor*
2. Advanced directives, such as a living will and durable power of attorney for health care
3. Durable power of attorney for finances – *Someone will have to be named as the legal authority to manage the property*

3. Update Information, As Needed

While your loved one is of sound mind, it's important to keep current all their necessary information and legal documents. The holidays are great times to review your loved one's wishes and estate plans to ensure everything remains in order. Smith comments, "Personal preferences may change over the years, so regularly revisiting your loved one's plans and documents—just in simple, relaxed conversations—helps keep their wishes clear."

Preparing for the Conversation

You know you need to talk with your loved one. And you know you need to help put their ducks in a row. Smith provides a few pointers:

- **Practice What You Want to Say.** Just like with reading or acting, the more familiar you are with a subject, the more comfortable you will be and the more realistic things will sound. You don't want to get too emotional, but you don't want to be a robot, either.
- **Talk in a Comfortable Setting and Be Natural.** Have a normal conversation. Act like yourself. You don't want to heighten already-high emotions.
- **Ask Your Parents about Their Goals.** It's a great ice-breaker that provides a segue into deeper conversations:
 - When do they want to retire?
 - What does their end-of-life care look like?
 - Do they have a trusted advisor or attorney?

Smith has an excellent question to discuss with aging loved ones: *"If you changed nothing about what you're doing right now, what is the probability that your long-term plans will be successful?"*

And if, together, you determine that their long-term plan—or lack thereof—is not successful, he has a follow-up: *"What can we change now to improve your probability of success so that you can reach your goals?"*

Remember: if your family is communicating, has a plan and is aware of your loved one's health or financial issues, things are in far better shape and everyone is ready to act quickly when problems do arise. Smith notes, "The key is to avoid tremendous amounts of emotion, headache, heartache, and stress. If you're working with a fiduciary, let that advisor be your quarterback as you work to protect assets and plan ahead."

About Andy Smith



Andy knows first-hand what's on the mind of investors. As an investment advisor with The Mutual Fund Store in Indianapolis, he works daily to help clients

navigate the markets, and provides investors with much-needed financial and investment direction.

Beyond his daily client interactions, Andy has spent more than a decade on the airwaves guiding listeners towards their investment goals...all the while offering sensible, actionable perspectives on finance, investing, and the national and global economies.

With more than 50 years of combined business experience, Andy and his co-host, Denny, have the background, experience, and insight to help listeners with their financial questions each week on The Mutual Fund Show.