THE WHITE PAPER

Strategies for Managing Your Assets

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Six Questions to Ask Older Parents

Regardless of whether you and your parents have always talked freely about money or never discuss the subject, there are several considerations you may want to address with them as they approach their later years. The six questions below can help you to start thinking about and planning for that conversation.

1. What's the best way to introduce the topic of your parents' financial needs and goals? When you do decide it's time to "have the talk," tactfully make clear what you would like to discuss, but also let your parents know you respect their privacy.
2. Are you confident that they are staying on top of their finances? Are bills getting paid on time? Are investments being monitored? Maybe you have already spoken with your parents about these money matters, but not in a long while. If you think they might appreciate a follow-up, it may be a good idea to check in again.
3. Are they taking advantage of direct deposit, online bill paying, etc., to help simplify their financial life? If your parents aren't comfortable with technology and/or using a computer, offer to help or ask another trusted family member to chip in.
4. Do your parents have an estate plan, and is it up to date? At a minimum your parents should have a will. If they don't, then the court system will step in and distribute their assets as it sees fit. In addition to having an up-to-date will, there are other planning considerations, such as shielding assets from estate tax. The federal estate tax exemption amount is $5.34 million in 2014 -- or double that amount for married couples. There are several ways to reduce the value of an estate:

   One is to make annual tax-free gifts of up to $14,000 (in 2014) to anyone they wish.

   Another is placing assets in an irrevocable living trust. Income taxes on revenue-generating assets placed in such a trust are paid by the trust itself, not by them. In addition, the assets in the trust are not considered part of your parents' estate and are therefore not subject to estate taxes when they both pass away. However, "irrevocable" means that generally they cannot change beneficiaries or trustees once they are chosen; your parents also relinquish control of their assets once they are placed in the trust.

1. Do you and your parents understand the potential benefits of the power-of-attorney designation? A power-of-attorney is a legal document that names an individual who will be charged with making financial or legal decision on behalf of another person, often a parent. This document can become very important should one or both of your parents become ill or incapacitated in some way.
2. Should they consider a long-term care insurance policy? The average cost of a private room in a nursing home -- now topping $87,000 annually nationwide -- can put a tremendous financial burden on a family.[1] For this reason, long-term care insurance can be a prudent addition to the financial plan of older parents.

For more information about any of the issues discussed above, contact a financial advisor.

This communication is not intended to provide tax and/or legal advice and should not be treated as such. Each individual's situation is different. You should contact a tax and/or legal professional to discuss your personal situation.

[1]*Genworth Cost of Care Survey, March 25, 2014.*

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