

Holiday can be ideal time to talk to your parents about their finances

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This year, we're driving to St. Louis for Thanksgiving dinner with my mother-in-law. But before the bird is in the oven, my husband is sitting down with his 81-year-old widowed mother and her financial adviser to talk turkey about her finances.

This is a major breakthrough in our family. Grandma has been peppering my husband for years during their regular Sunday afternoon call with questions about investments her broker recommends. My husband has been reluctant to reply, not knowing much about her financial picture. This leaves both of them frustrated.

Finally, I suggested he sit down with her and go over her finances. To his surprise, she was more than willing to do just that and set up a meeting during our upcoming trip with her financial adviser.

"What better time to have that discussion than when you're all together for a holiday?" said Burk Rosenthal, a CERTIFIED FINANCIAL PLANNER™ professional and president of Rosenthal Retirement Planning in Fort Worth. "It's not an easy subject to broach. It can be a little awkward. Either they have lots of money and don't want to discourage their children from working hard, or they are embarrassed because they don't have very much."

Not all parents are as willing as my mother-in-law to open up their financial books, said Paul Streiber, a CERTIFIED FINANCIAL PLANNER™ professional with Heritage Financial Planning in Grapevine. "My grandmother was a widow for 16 years and would do no financial planning," he said. "She also would not discuss anything financial with her children -- and that pattern is repeating itself with my mother."

His best advice for those who have a similar parent?

"I've suggested to her that she at least write it down so we can find it," he said.

Here are 10 things financial planners recommend asking when reviewing a parent's financial portfolio.

1. Who is their adviser?

Find out the adviser's credentials and how he or she is paid -- either through commissions, fee-only or a combination -- and judge the advice in that light. If you've got real doubts, suggest a second meeting with a CERTIFIED FINANCIAL PLANNER™ professional or similar adviser.

2. Are investments tied to the firm or totally independent?

Proprietary investment products can sometimes mean the company profits more than the client, Rosenthal said. Heavy trading activity should also be a red flag, as commissions can be earned with each transaction.

3. Is the adviser willing to have grown children of clients involved in decision making?

If he or she is hesitant or won't have you in a meeting or on a conference call for every decision, that could be a red flag. Rosenthal said one of his clients has a son in Alaska that they call and put on the speakerphone in his office whenever they have a meeting. "She feels more comfortable with him involved," he said. "I have another client that just brings a friend along to listen to the meeting."

4. What red-flag investments should I watch for?

If your parent has an annuity, learn how big the surrender charge is and how long it lasts. Is it waived upon death? What are the cap rates? Unless an annuity is fixed and immediate, the investment is likely inappropriate for seniors, Streiber said. Be wary of individual stock holdings or other investments with high risk that can't easily be researched on the Internet, he added.

At the same time, complete risk aversion can also be costly. Rosenthal says he routinely sees older clients settling for low rates in certificates of deposit. He recommends looking at short-term bonds over CDs. Also, see whether they have a balanced portfolio of stocks and bonds, with a range of small-, mid- and large-cap stocks invested both in the U.S. and abroad.

5. When should I get involved?

"If you wait until they have memory problems, it's too late," Rosenthal said. "Tell them you never know when an issue will come up and they won't be able to communicate with you. I tell clients to blame it on me if you need to -- just get involved." Don't be judgmental when discussing finance with parents, Streiber said. "It's a time for listening and understanding," he said. "If there's a possibility to give some advice, do so, but listen carefully about their concerns and worries."

6. Where are their assets?

Get a list of all insurance policies, savings and investments by account numbers and institution, the location of a safe deposit box and key. Get names and phone numbers of investment advisers, lawyers and accountants, and details of estate planning. Find out whether they have long-term insurance and its terms.

7. Do you have a power of attorney?

There are two types of powers of attorney -- one for health concerns, called a medical power of attorney, and one to cover financial concerns, called a general durable power of attorney. Setting up both is important to avoid additional costs and annual court oversight in the future if a parent becomes incapacitated.

Other legal documents include: a will with a personal property memorandum (to control disposition of personal property); a living will (tells physician a patient's wishes on resuscitation); self-designation of a guardian (eliminates court appointment of guardian if an individual becomes incapacitated) and HIPAA release and authorization (allows a guardian access to medical records). Keep these documents up-to-date and review them every three to five years, Streiber said.

8 . Would they consider gifting?

To avoid a possible estate tax, which will come back into play next year if Congress doesn't extend soon-to-expire tax cuts, parents may want to consider gifting. This year, the IRS allows gifts of \$13,000 each to as many people as desired without the giver incurring a gift tax or the recipient incurring income tax. Barring changes by year's end, estate taxes revert to pre-Bush era rates beginning at 41 percent beyond the \$1 million exemption.

9. How will benefits change?

Review changes to Social Security or pension payments when one spouse dies. The website BenefitsCheckup.org by the National Council on Aging may uncover benefits that seniors do not realize they have to help pay for everyday costs for medicine, home care and heating bills.

10. Do they need a special-needs trust if disabled children are to inherit parent's assets?

Streiber said this protects a disabled child from losing government benefits like supplementary income through Social Security or Medicaid. The trust is set up by an estate planner.

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