

Tips for the Tireless Caregiver

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We've all heard that, in general, Americans today are living longer than ever. This can present an exciting outlook towards the future. However, this greater longevity also brings with it a challenge, as aging individuals often need significant help in the later years of life. According to the U.S. Department of Health and Human Services, more than 50 million people provide care for a chronically ill, disabled, or aged family member or friend in any given year. Forty percent (40%) of caregivers are themselves age 55 or older (Source: Family Caregiver Alliance). Providing care often means helping the care recipient with financial matters too. In our office, we have experienced an increasing number of clients this year caring for elderly parents or relatives, needing assistance with some of the financial hurdles they face.

There are many roadblocks that a caregiver may run into when trying to help manage financial assets. Inability to access information, or having to call and ask questions about the financial account, can be a frustrating and time-consuming burden for the caretaker. Trouble may also arise if the care recipient misplaces checks or time-sensitive paperwork from a pension or other account.

Caregivers can reduce stress and save valuable time by implementing several simple strategies. For example, inability to access account information may be managed in a couple of ways. First, the care recipient can request that the caretaker become an "Interested Party" on the account, which allows the caregiver to receive duplicate statements for the account. An alternate solution may be for the caregiver to have online access to the account, which exists for most types of financial accounts today.

Allowing the caretaker to access the account, and make decisions or changes to the assets inside the account may be a bit more complex, since it is the institution's responsibility ultimately to protect the interests of the account holder. However, most financial institutions will allow an account holder to put in place an authorization for another individual to make inquiries or changes to an account. Caution should be exercised before relying on this method, however, as the authorization is no longer valid in the event of the account holder's incapacity or death.

More complex access, such as changes to an account, or withdrawals, will generally require a Durable Power of Attorney. A Durable Power of Attorney is a legal document drafted by an attorney in which one person appoints someone else to act on his/her behalf on matters he/she specifies. A Durable Power of Attorney can be effective immediately, or only upon the account holder's mental incapacity. While more time and expense is involved in getting a Durable Power of Attorney, it can be very beneficial, as Durable Powers of Attorney are generally honored even in the event of the account holder's incapacity. It is important to note, however, that powers granted by a Durable Power of Attorney do end at death.

Another common challenge for caregivers is lost or misplaced checks a care recipient might receive on an account. Many retirees receive automatic distributions of income from a retirement plan, bank account, or investment account. Once upon a time, the only method for

distribution of those funds was by check. Today, however, it is usually possible to set up automatic deposits directly to a checking or savings account, via the ACH (Automated Clearing House) system. While the care recipient may have enjoyed getting their checks in the mail and receiving their money in-hand, the caregiver's burden of finding misplaced checks and dealing with stop payments and reimbursements can be both time consuming and costly. The ACH alternative routes the funds directly to the chosen bank account, often more quickly than waiting for the check to arrive in the mail and be manually deposited. Additionally, these instructions can usually be suspended with just a phone call, should the need for change arise.

Death may bring the end of caregiving, but often it is just the beginning of the financial clean-up process. For caregivers who are also an adult child to the parent for whom they cared, the leftover financial assets may ultimately be intended as an inheritance to them anyway. A few simple tips may drastically reduce the time, expense, and stress of trying to settle the deceased parent's financial affairs.

Many financial accounts allow a beneficiary designation, either through their natural structure, or through arrangements known as Payable on Death (POD) or Transfer on Death (TOD) instructions. Assets which naturally allow a beneficiary designation arrangement include retirement accounts, IRA's, life insurance policies and annuity contracts. Other assets, such as checking or savings accounts, money market accounts, and investment accounts often allow the Payable on Death/Transfer on Death instructions. POD/TOD instructions essentially act as a beneficiary designation, in that they will transfer the asset to the designated recipient(s) upon death. This can be a beneficial arrangement to consider, since the asset does not transfer to the recipient until death has occurred, but upon death, will transfer directly without going through probate. Consequently, assets transferred by POD/TOD arrangement often are accessible quickly and without the costs associated with probate. Any beneficiary designations made, whether by contract or POD/TOD arrangement, should be checked from time to time while the account owner is still alive, to make sure they are current with the owner's wishes.

Joint tenancy ownership is another arrangement that may be considered. Change of title to joint ownership should be considered carefully, however, as issues of control and taxation may be involved. Assets titled jointly with another individual can be accessed by any individual on the title, which may be a desirable arrangement for a caregiver. It is important to note, however, that re-titled assets also are considered gifts during life. The implication of this action is the loss of step-up in basis of the asset at death. Joint tenancy titling of an account with assets that have appreciated substantially, such as investments, may ultimately be a costly way for a caregiver to have access to the account.

Finally, a caregiver may also find that encouraging the care recipient to meet with an estate planning attorney and a financial advisor is time well-spent. The estate planning attorney can help both the recipient and the caregiver streamline financial matters upon incapacity or death, ensuring that all the needed legal documents are drafted and current. The financial advisor can assist with structuring assets to provide for the income necessary to pay for the care recipient's needs, saving taxes, improving growth, and stabilizing income.

While providing care for a friend or family member can be a demanding and difficult situation, there are ways to reduce the issues and frustrations associated with the financial aspects of providing care. Please call us if you need help in this area.