http://westfaironline.com/70211/column-when-children-should-talk-to-parents-about-money/

On the Internet March 29 and in print March 30, 2015

FCBJ FAIRFIELD COUNTY BUSINESS JOURNAL WCBJ WESTCHESTER COUNTY BUSINESS JOURNAL

Column: When children should talk to parents about money

BY JOSEPH MATTHEWS

As baby boomers age — and presumably become more sophisticated about personal financial matters — more are finding themselves caretakers for elderly parents.

This duty carries with it the responsibility of ensuring that their parents' financial position is solid, with sufficient assets as they continue to age. However, discussing finances can cause anxiety for both adult children and their parents. The choice of words and tone — along with a healthy dose of empathy — can go a long way toward a meaningful conversation.

Joseph Matthews

For many, old age is a time of coping with a series of physical and emotional losses: hearing, eyesight, mobility and memory as well as friendships. A recent survey of issues facing the elderly found that among those who have experienced cognitive decline, 47 percent have had troubles with bills, 36 percent have had difficulty with simple math, 35 percent have made irrational purchases and 21 percent have depleted their savings accounts.

Discussions of personal finances should not add stress to an already stressful situation. Initiating a discussion on financial issues allows families to get a head start on creating strategies that will mitigate, if not eliminate, roadblocks to successful and efficient asset management.

If possible, initiate these conversations earlier rather than later, allowing for a clear understanding of parents' wishes and goals versus crisis management at a later date. Additionally, parents should consider giving an adult child authority — limited or otherwise — to act on their behalf should the need arise. This can make difficult decisions about their finances less stressful and ensure a trusted loved one is charged with managing their assets.

Do the parents' assets still focus on long term growth? Would it be better if they had increased current income? Are there shifts in investment needed to better reflect immediate and long-term needs? Do they still need the tax benefits afforded by municipal bonds? In the quest for high yields, are they taking too many risks? Are their investments too heavily weighted with stock in a former employer?

A first step should be assisting parents in gaining a clear understanding of their financial life, possibly with the help of a financial adviser who could help organize the parents' records. Collection and storage of personal information should include: wills, powers of attorney, trust documents, health care directives, financial papers, property papers and tax returns.

In the event of a catastrophe or serious illness, death or disability, these documents will immediately provide access to timely information. Keeping their important documents and financial records organized and readily available could easily become one of the best gifts they can give.

Another early step that will ultimately reduce anxiety is to automate your parents' bill payments as well as establishing direct deposit for their Social Security and pension benefits. Additionally, some financial advisers offer data aggregation tools that provide secure access to most if not all of their financial life — assets and liabilities — through one secure website. By employing these types of strategies, the adult child will be in a position to effectively and efficiently manage parents' financial information.

As you take on the responsibility of helping aging parents with their finances, don't underestimate the level of stress experienced by them as the recipient of help. Remember, this is about parents' money, not yours. Although your initial actions will be focused on their assets, you might just find that they lead to a stronger emotional connection between all of you.

Joseph Matthews is a financial adviser with the global wealth management division of Morgan Stanley Smith Barney in Fairfield. He can be reached at 203-319-5165.