Financially Speaking
With Trisha Arndt

Keep your Finances Organized and Accessible

I recently sat down with a nice gentleman from the area that was referred to me by his accountant. He was coming in to ask questions about an investment account but our conversation quickly went well beyond what he had come in for.

His situation is not an unusual one at all. He is in his 70s, retired and living comfortably off his income. He has a paid for home and has accumulated a sizable portfolio that he doesn't expect to deplete and isn't drawing from currently. His wife of many years passed away a last year and they had no children.

He spends a great deal of time managing his finances and makes all of his own decisions after doing his due diligence. He is a bright man and asked good questions but it quickly became apparent to me that he has made a few mistakes along the way.

Like many, he has always been hesitant to share his financial information with others, yet he values input from experts and routinely seeks advice. Early on in our conversation he asked me if I thought he should start taking money out of his Roth IRA. At first I think he was a bit taken aback when I told him I wasn't able to answer that as I think he is used to people always giving him some sort of generic answer. Once I explained to him that I couldn't answer that question in a vacuum and would need to know much more about his finances, including his cash flow, tax situation and estate plans to truly advise him personally, I think he found it refreshing.

As our discussion continued I learned that he has numerous investment accounts scattered across several brokerage firms, clearing houses and mutual fund companies. When I asked him why he had money in so many places rather than having all of the same holdings in just one brokerage account he paused. After some thought he said that in some cases it was because he wanted to try the company out but that mostly it was because he had just never thought about it.

Having money spread around in a lot of places multiples the administrative burden and makes portfolio management much more difficult. Simple things like address changes have to be done multiple times and even gathering tax information becomes more cumbersome. Why gather and input information from twelve 1099s when only one is necessary?

Beyond the administrative hassle, understanding what the entire portfolio looks like can be difficult if the holdings are spread all over the place. My new client isn't technologically savvy so he wasn't utilizing any sort of software to track the various holdings as a group and since everything was spread all around he didn't have the ability to look at any sort of report showing him the allocation of his portfolio – in fact one of his concerns was that he hadn't rebalanced in years and really had no idea how much money he had in stocks versus bonds.

All of this conversation led me to ask him a series of questions that really made him sit up straight and take notice.

I asked him if something happened to him and he was unable to care for himself what would happen? He quickly replied that he had a Power of Attorney in Georgia that he trusts. That's an excellent first step. I then asked if the Power of Attorney (POA) knew about all of his accounts and how to access them? No. Then how would the POA arrange to pay for his care if he needed it? He said that he had a good long term care insurance policy. Again, I told him that was excellent. Did the POA have the contact information for the policy? Or know it existed for that matter? No and no.

In fact, as the conversation continued he admitted that other than a couple of insurance agents and investment brokers that would have information about the one policy or account they set up literally no one knew anything about his finances at all – and would have no idea where to look. And with so many accounts the odds of someone locating them all would seem remote. Often POAs and/or family members revert to digging through any papers they can locate to try and find references to accounts or insurance policies but it can be painstaking work and is further complicated by the fact that many companies have reduced the number of account updates that they mail.

The final straw for him I think was when I pointed out he likely had life insurance policies – yes, he confirmed. And, I continued, I bet they are paid up so no longer asking for premium payments. Again, he confirmed I was right. I pointed out that if he has insurance policies that he is not getting premium notices for and he hasn't told anyone about them no one will know they exist and the policy could easily go unclaimed. He admitted I was right and sunk into his chair.

The bottom line is that you can save yourself and those that care about you a lot of trouble if you keep your finances organized and don't overcomplicate the situation without reason. Most importantly though, either share information about your various accounts and insurance policies with a trusted advisor or at a minimum have a written summary – and make sure the person(s) who will need it has access to it.

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