

Talk with Your Family about Finances

Monday did not start out well for me. I got one of the calls that I hate most about what I do – the call to let me know that the sweet lady (I’ll call her “Ethel”) that I knew and worked with for almost twenty years had passed away.

Ethel was a true character that had lived a full and varied life and never failed to leave a smile on my face. She was as sharp as they come and even at 88 she had a full grasp of all of her affairs.

And, like so many people, especially those from her generation, Ethel was extremely private about her finances.

I’m not quite sure what all of the underlying reasons are but I’ve learned that certain trends often hold true with people in certain age groups and from different backgrounds. For example, in married couples over 70 it is quite common for the husband to have taken the lead with the family finances. With young couples today it is just as common for the wife to take the lead – or for the couple to maintain separate accounts and split expenses.

People of a certain age tend to be willing to talk about some personal matters but remain utterly closed mouth about others. Ethel would tell anyone who cared to listen about every detail of her latest doctor’s visit but when the topic of money arose she sealed up tight, even with her family.

It may be uncomfortable but as individuals age it is particularly important to begin to talk about things – especially with those who will be responsible for caregiving or managing final affairs. Not sharing information can really leave those you love in a bind when something happens. Imagine dealing with an acutely ill parent and having no idea what income is coming in, how bills are being paid or where accounts are held. The last thing a family should be stressing about is whether health insurance premiums are paid when their loved one is ill.

There are some key steps that can be taken - and discussed - to prepare for the time when others will need to be involved. I recommend that just about everyone take some or all of these steps, both for yourself and with family members that you will be responsible for (parents, grandparents, aunts, uncles, etc.).

First, sit down and organize yourself and put together a summary of what you have and where it can be located. There are a number of booklets available to help you sort and list this information (I have a couple of good ones and AARP also offers them) but it can also be as simple as a summary in a notebook. It should include at least the following:

- emergency contact numbers for medical providers, family members and legal, tax and/or financial advisors
- a summary of income sources including amounts, when and how received, account number (if applicable) and contact information

- a summary of insurance policies including health, life and/or long term care with company name, policy number(s) and contact information
- a list of any investment and bank accounts including account numbers and contact information
- safe or safe deposit box inventory, location and access information
- a summary of any real estate or vehicles owned along with the deed and/or title location
- copies of any legal documents including wills, powers of attorney, etc.

Another important step to consider is automating as much as possible financially. Social security payments are now almost always direct deposited but I'd strongly suggest doing the same with other sources of regular income including pensions, dividends and investment distributions. At the same time consider setting up at least the most important of your regular expenses on automatic bill pay – things like insurance premiums, loan payments and utilities bills can be easily set up and shouldn't be left to chance.

It is also important to understand how others would be able to assist you and to provide them with the legal means to do so. My next column will focus more in depth on what I call a "living estate plan" which is something that everyone should have. Basically it involves understanding how things would be treated if you are incapacitated and what will happen to your assets when you die.

Often there is a lot that can be accomplished with titling and/ or company specific forms that you can place on file but there are also general legal documents that should be considered. At a minimum most people should have a living will (including health care directives and appointment of a medical power of attorney), a durable financial power of attorney and a will.

The most important aspect of all of this planning though is to discuss it. Talk with your family about what is in place, where information and documents are located and what expectations and desires are. While this discussion may take you outside your comfort zone it may well be one of the most important conversations you ever have.

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