

Family Matters



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NO ONE WANTS TO THINK ABOUT, MUCH LESS TALK ABOUT, parents being unable to care for themselves or dying. But avoiding the conversation can leave a family in chaos in a time of crisis, burdened with healthcare and financial decisions they are unprepared to make. These aren't easy conversations to have, but HBKS® advisors encourage their clients to have family meetings about their finances, in particular to share information about such things as medical directives, wills and estate plans, so family members are informed in the case of a parent's illness and at the time of their passing.

The family meeting should include conversations about:

- **A living will** — the parents' advanced medical directives
- **The estate plan** — how they intend to distribute any assets that remain at their deaths, including property
- **Tactical decision-making** — that is, how bills are to be paid, what financial tools are in place, whether the parents intend to stay in their home and what that may require
- **Important people and documents** — that is, the location of legal documents, who has copies, important passwords, and key players: doctors, attorney, tax professional, financial advisor
- **Power of attorney** — that is, who has been assigned the legal right and responsibility to execute documents and make decisions on the parents' behalf if they can't do it themselves.

HEALTHCARE ISSUES AND CHOICES

It is imperative that family members be aware of the parents' intentions relative to their healthcare, including their advanced directives specifying what actions should be taken for their health if they are no longer able to make decisions for themselves because of illness or incapacity. Is there a son or daughter best suited or most likely to ensure that his or her parents' wishes are executed as they have directed in a living will?

While advances in healthcare have extended our lives, costs continue to rise. Unfortunately adult children often become responsible for providing and paying for

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their elderly parents' care, and a survey conducted by AgingCare.com found that most family caregivers are vastly unprepared for covering these costs (<https://www.agingcare.com/articles/cost-of-caring-for-elderly-parents-could-be-next-financial-crisis-133369.htm>). The survey found that 63 percent of caregivers have no plan as to how they will pay for their parents' care over the next five years. Considering the exorbitant national average costs of in-home care (\$4,004 per month), assisted living (\$4,000 per month) and a semi-private room in a nursing home (\$7,441 per month), the stakes are high for American families.

Often families don't have the right solutions in place, such as a long-term care policy. Adult children have their own families to provide for, and parents don't intend to burden their kids with those costs or take them away from their families and jobs to care for them. Too often, however, we see families facing the unintended consequences of not having these conversations rather than planning in advance.

FINANCIAL PREPAREDNESS

It is typical for one parent to be the key decision-maker for the family finances. But when the decision-maker is ill or passes away someone must take on the burden of responsibility, and if the spouse hasn't been part of the decisions, it will typically fall on one of the children. For many families it is taboo to talk about wealth, income, investing and the like. But without those discussions and knowledge of the family finances, will the child be prepared to handle the finances appropriately? In the event of a serious illness, does he or she know where the money is held? Do they know enough not to make mistakes like incurring unnecessary taxes or affecting parents' eligibility for certain benefits?

Younger adults understand that saving and planning for their own retirement is crucial, but most people don't plan to fund their parents' needs in old age. Of course, this can cause immediate financial strain on a family caregiver, but it can also have serious long-term implications. Sixty-two percent of caregivers who participated in the AgingCare.com survey said that the cost of caring for a parent has impacted their ability to plan for their own financial future. Many are unable to contribute to retirement plans or feel they must dip into their savings early to cover unexpected caregiving costs.

If families have planned well for long-term care events, there's often the question of an inheritance. Will the children inherit a substantial amount of money from the estate? Studies indicate that many recipients quickly dispense with their inheritance. One study found that one-third of people who received an inheritance had negative savings within two years of the event (<https://www.marketwatch.com/story/one-in-three-americans-who-get-an-inheritance-blow-it-2015-09-03>). Parents should discuss their goals and intentions as a family not only to set expectations, but also to ensure that their children are prepared to handle the inheritance (or lack thereof). Recent surveys of boomers have found that less than half of them are planning to leave an inheritance. More than half of their children are expecting an inheritance though, potentially putting their financial futures at risk if they are counting on an influx of cash that will never come.

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YOUR ADVISORS

Most often, the person who will be responsible for making financial decisions doesn't have a financial background and doesn't understand the big picture of the family's wealth — or what to do in case of a debilitating illness or death. Family meetings should include key advisors, the family attorney and financial advisor, to help navigate these issues, to help get the right documents and financial solutions in place, and who can lead the discussion to ensure everyone in the family understands their responsibilities and expectations.

We're here to help. For more information or to schedule an appointment, call **1-866-536-5776**, or email us at info@hbkswealth.com.

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As director of client and advisor experience, Megan is focused on strategic initiatives that ensure HBKS® advisors have the resources they need to deliver on the firm's commitment to helping clients achieve their financial goals. She assists in many areas, including hiring, training, human resources and marketing. Prior to joining HBKS®, Megan spent 12 years at Vanguard in a variety of leadership positions in both operations and client-facing roles, primarily working with institutions and high net worth investors.

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