Managing Money, From Afar

New Services Emerge
To Help Adult Children
Who Assume Financial
Chores for Parents
By Ellen Hoffman

Maybe you get the news from a long-distance phone call or an email: A friend or neighbor has spotted unpaid bills piling up on your mother's desk and wants you to know. Or maybe you find out indirectly: The local cable company notifies you it's cutting off your father's TV service.

Or maybe you find out the way Jon Ford did. Ford, 59, a financial planner in Cedar Falls, Iowa, knew trouble was brewing when he would drive 100 miles to Webster City, Iowa, for a "date" with his octogenarian mother, and she would not recall that they'd made plans.

But what really delivered the message to Ford was the "panicked phone call [I received] one Saturday morning because she thought she had run out of money," when in fact she had plenty of resources to pay her expenses.

At that point Ford did what he suspected for some time he would have to do: He assumed responsibility for his mother's finances.

In taking on this new role Ford joined a fast-growing corps of specialized caregivers. More and more 50-plus Americans find they must help out-of-town parents or other older relatives manage their money

One reason for the trend is well known: People are living longer. In 1960 about 52 percent of Americans in their 50s had one parent alive; by 2000 it was estimated that 27 percent would have both parents alive; In 1960 about 24 percent of people in their 60s had one parent alive; by 2000 that number had grown to 44 percent, according to one demographic study.

Older people are also more likely to need help today because late-life financial issues are more complicated than those their counterparts faced 20 years ago.

"Retirement finance now is so complicated that even folks with modest amounts of assets have a lot of complexity," says Maureen Mohyde, director of the corporate gerontology group at The Hartford, a financial services company based in Hartford, Conn. The retirement accounts that provide a lot of income for the elderly, such as 401(k)s and individual retirement accounts (IRAs), "all have different rules, and this is bewildering to most people," Mohyde says.

But if people in late life need help managing their money, doing something about it isn't easy. Recognizing there is a problem is the first difficulty, not easy when you're 300 or possibly even 3,000 miles away from your relative.

If you can, get to know your relative's neighbors or the family accountant or lawyer—anyone who can tip you off that your loved one may be experiencing difficulties and may need help with his or her finances.

After confirming your relative needs assistance, the truly hard part begins. You're likely to be in a delicate situation. Assuming financial responsibility for a relative in declining physical or mental health presents a psychological challenge as well as a financial one.

"One of the last things people want to give up, even if they need to, is control over their money," says Neal E. Cutler, a gerontologist who is dean for educational programs at the American Institute of Financial Gerontology, a recently created educational institution based in Deer-field Beach, Fla., and affiliated with Widener University in Chester, Pa. "This is something [the younger person] has to deal with in a very sensitive way.

Ideally, you should discuss financial issues with your relative before a crisis occurs. Point out that working together on these issues will benefit both of you—by providing you with the information you need to help, while relieving him or her of some chores that may have become burdensome.

Once the relative consents to your intervention, you'll find that managing someone else's money is a daunting task. It's complicated—it means receiving income on their behalf, paying bills, budgeting or even making investment decisions or withdrawals from an IRA or a 401(k).

For most people, there are two basic options: Take the responsibility on yourself, or hire a helper who lives in the relative's area. Either way, there's one thing you need to do first: Find Out about all sources of your relative's income—Social Security, pensions, IRAs and other assets—money that can be used to pay the bills. This may require checking with the relative's accountant, lawyer, financial planner, broker or others who are familiar with their situation.

If you decide to help with the money management personally, you can streamline both the process of receiving income and paying expenses. Eileen Freiburger, a certified financial planner in El Segundo, Calif., points out that some of these options can be relatively painless if you are computer-savvy and can arrange to monitor accounts and pay bills online.

Specifically, Freiburger and other financial planners suggest:

1. **Make a budget** based on the money available.
2. **Set up a joint checking account.** Have copies of statements sent to you as well as to your relative, so you can monitor both deposits and check writing or,
3. **Open a joint cash management account** (usually through financial service firms such as Charles Schwab or Merrill Lynch). Such accounts combine cash, stocks and other assets into one account with check writing and credit card services. Have pensions, Social Security, IRA withdrawals and any

other income deposited in the account, and arrange automatic payment for regular bills such as utilities or rent.

a. (Expect to pay an annual maintenance fee—at Schwab it's *$45* if the account value is less than $10,000, $30 for an account of $10,000 to $50,000 and no fee above $50,000.)

4. **Work with the Social Security Administration,** the Veterans Affairs Department or your relative's pension plan to become a "representative payee" who is authorized to receive your relative's monthly benefits or to have the money deposited in a joint account.

5. **Get a joint debit or credit card** to pay for expenses such as groceries, prescription drugs, clothing and the like, and read the statements when they arrive.

In some cases, especially if the relative is homebound or living in a nursing home or other care facility, you may find that the financial demands are simply too complex for you, or other family members, to handle alone.

Types of professionals who can help include accountants, financial planners, lawyers, money managers and geriatric care managers. They can do everything from drawing up a budget to preparing taxes, paying bills or managing investments for a long-distance relative.

But before giving financial responsibility to outsiders, verify their credentials. Then closely monitor their activities to prevent theft or mismanagement of the older person's money. In one case reported to the *AARP Bulletin,* a "trusted" family bookkeeper and caretaker allegedly embezzled some S70,000— including income from military pensions—from an elderly couple in Texas while their daughter was living in London.

Precautions to help ensure that the person you hire is trustworthy include:

1. **Ask trusted mends or business associates to recommend people.**

2. **Check several references** for any candidate you are considering.

3. **Look for someone with a professional credential** that requires commitment to a code of ethics (geriatric care managers and daily money managers have such codes).

4. **Clarify the exact role that the helper will play.**

If the person you hire needs cash for expenses such as groceries, open a joint checking account with him or her, and keep a relatively small amount of money in it—just enough to cover the routine needs.

Joan Béjean of Rockville, Md., a daily money manager, further suggests that any reputable money manager should be willing to share authority with the relatives.

"In cases where I have been asked to serve as a power of attorney or a personal [financial] representative," she says, "I ask the client to put me on the account with another family member. I do not want to be the only one holding the reins of power."

ELLEN HOFFMAN, *a Washington-area freelance writer specializing in financial issues.*

Looking for help

The following organizations provide information, and sometimes assistance, to help you manage money for an older relative who lives some distance away:

American Association of Daily Money Managers. http://www.aadmm.com/**.** Members, who pledge to follow a code of ethics, can help balance checkbooks, organize paperwork, write checks or make bank deposits, and so forth.

Fees range from $25 to $60 an hour, depending on the region of the country.

American Institute of Financial Gerontology. http://www.aifg.org or (888) 367-8470. Financial advisers certified by the new institute, created in 2003, will have training in gerontology as well as financial matters. Later this year the website will post a register of graduates who are certified.

Area agencies on aging. Contact the Eldercare Locator, http://www.eldercare.gov/ or (800) 677-1116, for referral to your local aging agency, which may be able to point you to money managers, tax help or financial planning assistance.

National Association of Elder Law Attorneys. http://www.naela.org/**.** These lawyers can help your family with decisions on legal tools and relationships for long-distance money management.

National Association of Professional Geriatric Care Managers, http://www.caremanager.org/. Members offer money management and liaison with long-distance relatives. AARP's website has more information at http://www.aarp.org/confacts/caregiving/planning.html.

What you should know

To aid in long-distance money management, here are some steps parents and their adult children may want to consider:

1. **Banking access**

Older relatives may make an adult child a joint owner of their bank and other accounts so that he or she is authorized to act for them in an emergency.

They can also appoint someone as joint renter, deputy or agent for their safe deposit box.

1. **Durable power of attorney**

This legal document gives one or more people the authority to handle some or all of the finances, property or other personal matters in case a parent becomes incapacitated.

If a parent becomes incapacitated and does not have a durable power of attorney, an adult child may need to be appointed guardian by the court in order to manage a parent's financial affairs.

2. **Talk to your parents about financial protection measures**

Know where to find personal and financial documents in case of an emergency.

Ask to be notified by companies if parents miss bill payments.

Share financial information and responsibilities with other family members, especially caregivers.

Stay in touch