



Will You Be a Future Financial Burden to Your Children and Grandchildren?

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While the headline may seem like an odd question we all have similar concerns whether for ourselves or even our own parents. Generational lines seem to offer similar concerns to everyone who has living relatives. If you have elderly parents you probably have encountered huge resistance in discussing the potential of “We don’t trust anyone” and “We will be taken advantage of.” Other concerns often voiced are:

- We don’t want to disclose our assets.
- We don’t want to discuss indignities of dependency.
- We have fears of being alone.
- We don’t want to be a burden.
- We have done our own research and read everything written by AARP.
- We don’t want to be involved in sibling bickering.
- We feel fine and there is no need to plan.
- We don’t want our children to see us afraid.
- We made all our plans, provisions, and the kids will know when it’s time.
- Medicare will handle everything.
- We have enough assets for medical emergencies.
- We feel that everything is under control.

Most of us have heard these types of answers and experienced the indignant attitude of our parents when we even try and broach the topic(s). This is really no surprise to the trained professional. George Schwabe of the Executive Benefits Group (Libertyville, IL) says “more often than not we hear all of these comments during our initial meeting with perspective clients.” Trust must be established between the perspective client and their advisers. Once that trust is established the common misconceptions may be addressed:

- Medicare, current as well as 2012 changes.
- Eligibility requirements and maximum benefits provided.
- Medicaid, current as well as 2012 changes.
- Pharmaceutical costs and limitations.
- Financial requirements to become eligible.
- What happens if you don’t qualify for “government entitlement programs.”
- What if you have issues that do not require hospital confinement?
- What if you or your spouse (or significant other) cannot physically take care of you?
- How are your assets protected, are they really protected? Could you outlive them?



Doesn't the List Seem Endless?

“Fear to bring action” is not my intent. It is, however, meant to be a wake-up call. Income Tax, Estate Tax, Medicare, Medicaid, and elder care planning can be very complex. If it were so simple then thousands upon thousands of professionals who do specialize in the area of Elder care would not exist. That said; equally as many articles would not be written warning of all the potential pitfalls.

While your parents or grandparents may think that all is well, perhaps they have not given consideration as to who they will turn to or what actions they may have to take if their assumptions are incorrect.

- Will they have to sell their home?
- Who will take care of either of us if one or both of us become disabled even for a short period of time?
- What effects will an extended illness have upon my financial well being?
- Who will be able to take care me or my spouse if something happens?
- What about chronic health issues (the Medicare requalification requirements are frustrating)?
- Death is easy, but what about the surviving spouse?
- Who will pay for current as well as future medications as you get older that will not be covered by insurance/Medicare?
- Do your projected savings /investments allow for extended life projections other than age 85 (since people are now existing/living into their 90s), will you have enough income to live on?
- What about dignity issues?

A Simple Solution

By suggesting that your parents speak to an independent professional who will objectively review and more importantly listen to the real concerns is of the utmost priority. Their suggestions will address real concerns and perhaps provide at least at minimum awareness of “what happens if.”

While we are discussing these issues even “Baby Boomers” should be asking themselves similar questions. After all, they are not exempt from ultimately facing the same or similar circumstances. It is always our recommendation to seek out a fee based planner who sells no product. Their job is to advise and make recommendations that your current advisers can act upon. They can always assist you in retaining a professional if you don't have one.

Even the best thought out plans need to be reviewed periodically. The following is a real case and a perfect example of what happens to those who thought they “had it covered.”

Mr. and Mrs. Elder (ages 60 and 55 respectively; a second marriage with blended families). Husband owns a successful business with his biological children. Mr. Elder had minimal life insurance; Mrs. Elder had a similar amount.



They have a home, mortgage, investments and savings, and Mr. Elder felt he had made all the necessary plans. Business would buy him out over time, kids would inherit the business. Retirement would be better than adequate. They had it all planned.

Five years go by. Business has softened due to the economy and loss of area employment. Then Mr. Elder suffered a heart attack and was not working full time. Eldest son now is running the company. Eldest son expresses concern over business status and starts looking into other business opportunities.

The son finds a business to invest in and uses business assets and credit to start the new venture. Business is very good, full salaries paid, additional siblings join the business and expand the new business while the original business continues to decline. After three more years the original business fails. Two years later Mrs. Elder falls and breaks her arm. Six months later she has quadruple bypass. Mrs. Elder has never learned to drive so Mr Elder drives her everywhere. Meanwhile, the new business has taken on more debt to grow. Mr. and Mrs. and their children have signed personally on various bank loans. Now infighting is occurring with the siblings. The second business debt structure is impacting growth and personal income. Mr. Elder is forced to invade personal savings since business is starting to soften. The business fad is changing.

Mr. Elder now age 72, diagnosed with very aggressive cancer, and dies shortly thereafter. Mrs. Elder thought that with Social Security and income from business she could live modestly. The Mrs. Elder's health begins deteriorating. Maintenance medicines are necessary for heart, kidney, blood pressure, depression, etc.

Finally, the second business fails. There's no income, but lots of personally guaranteed loans that are outstanding.

Mrs. Elder has only Social Security income, other funds paid off debt. She lives 70 miles away from her children. They drive out weekly to shop and run any errands (this goes on for five years.) Mrs. Elder's friends have passed on or relocated. Mrs. Elder moves in with her daughter as her health continues to decline and she becomes very frail.

Ten years pass and Mrs. Elder becomes very demanding and cantankerous. She requires weekly visits to doctor (son and daughter take off work to accommodate). Eventually, she falls and breaks her hip. The first attempt at hip replacement fails so she needs a second surgery that includes a 100 day stay in a nursing home.

Mrs. Elder has a heart attack and hospitalized twenty eight days later and required to go to a nursing home for continued physical therapy (Medicare will not cover illness since it is less than thirty days since original 100 days confinement and family burdened with daily expenses and therapy costs).

Mrs. Elder falls again breaks left shoulder (30 more days in nursing home and now requires a walker and additional physical therapy requiring son or daughter to drive three time weekly plus personal aid three days a week.



Mrs. Elder is not doing well with the walker; she cannot function without assistance. Kidneys are now failing and requires her to visit rest facilities every hour or so. Fear of falling creates greater demands on the family. (Now the family is at odds about confinement and possibility of Medicaid facility. Her daughter refuses to “dump her mother” in such a facility.

Mrs. Elder falls out of bed at night (a freak accident) and is in terrible pain. Refuses to stand or walk. Her fear of falling has reached a critical junction. So physical therapy is again the only option. Requires transport three days a week and more doctor’s visits where driving is shared.

At a doctor’s office Mrs. Elder falls again. Two days later, Mrs. Elder falls against a wall, separates her right shoulder, and is rushed to the hospital. Emergency doctor resets the shoulder and the shoulder separates three more times while in the ER facility. Now the Orthopedic surgeon comes in and resets the shoulder. It separates a fourth time and emergency surgery is performed. Off she goes to the nursing home for rehabilitation but cannot move the shoulder for four weeks.

Two week follow-up at surgeon’s office. Shoulder has separated again and full shoulder replacement surgery is scheduled. At time of surgery Mrs. Elder had (un-known to all) developed a highly infectious fungus and surgery had to be cancelled. Mrs. Elder is treated in hospital to get the infection under control. However, surgery cannot be rescheduled for eight weeks minimum and will require additional confinement for therapy

Mrs. Elder has used 20 days of Medicare benefits already. Eight additional weeks equals 56 additional days which now totals 76 days which leaves only 14 days left. Due to her current frailty the family worries about requiring greater confinement over and above the 100 days of maximum benefit.

All the while the family members travel in the morning, afternoon and evening to assist in feeding Mrs. Elder since she cannot feed herself due to the immobilization of her shoulder and deterioration of muscle mass due to lack of use. The family lives in fear that the nursing home expenses will far outweigh the Medicare benefits. Infighting is now rampant due to conflicting opinions as to what is best for Mrs. Elder

This author is not trying to put fear into ones lives’. I am sharing the possible exposure to the whole family if they accept the “it’s covered” response from our parents and even ourselves. The case examined here is not so uncommon. These complications happen all the time. The real concern should be planning and what protective options that can be taken. What if both spouses are still alive? What about the financial and emotional strain on the somewhat healthier spouse? Will there be enough financial stability or where will the additional funds come from?

Forget about the money for a moment:

- What about the need for physical assistance and the loss of dignity?
- Do you feel that you could avoid the mutual embarrassment with regards to bodily functions?
- Would you be able to take time off work to transport your parents to and from the doctor?
- Would your boss (if you have one) be as understanding if it were a prolonged medical issue?



- What if the physical issues create emotional stress and subsequent loss of desire to live (even if one wills their death does not necessary mean it comes quickly. It could take years.)
- Proper planning is a minor inconvenience as well as cost to provide that true meaning of “It’s handled”.

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