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#### SMART SPENDING

## 8 steps for managing parents' finances

By Teri Cettina • Bankrate.com

The need to take over your parents' financial life, especially if it happens suddenly, can be extremely stressful.

However, if you approach it one step at a time, you'll get a handle on what needs to be done.

Even if you're not at this point with your parents yet, this list can help you decide what to do now -- before anything happens.

### Managing parents' finances

1. [Find all financial accounts and documents.](#)
2. [Collect and start paying bills.](#)
3. [Locate power of attorney or living trust.](#)
4. [Open your parents' safe-deposit box.](#)
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6. [Document everything you do.](#)
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### Step 1: Find all of your parents' financial accounts and documents.

"Like it or not, you now need to become a financial detective," says Michael Haubrich, Certified Financial Planner in Racine, Wisconsin. If your parents keep their bank and investment files in an easy-to-find place, consider yourself lucky. Otherwise, your best bet is to locate your parents' most recent tax return.

"Most of your clues will be on Schedule B, where they listed dividends and interest income and the names of financial institutions," says Haubrich. If you suspect your parent worked with an accountant, attorney or financial adviser, contact that person right away; he or she often can help you round up necessary financial information.

**Advance planning tip:** If your parents are still well, encourage them to assemble a file or "financial map" that details the location of their financial accounts and safe-deposit boxes, as well as the names of their financial

professionals.

"Even if parents don't want to tell their adult kids how much money they've got, I encourage them to at least tell the kids where they can find this information in an emergency," says Haubrich.

## **Step 2: Collect and start paying bills.**

If you have any concern that Mom and Dad won't have enough money to pay their bills and medical expenses, cool your jets first. Be sure you have a list of all assets and expenses before you start paying routine bills. You may need to consult an elder care attorney or financial planner for help and to prioritize what should be paid and what can wait.

If your parents are on solid financial ground, pay all their bills promptly. Don't be surprised if some of them are behind: Mom might have been ailing before her stroke and could have forgotten to pay some. "Try to get current on everything, from utilities to grocery deliveries," says Martin Shenkman, an elder law attorney in Teaneck, New Jersey. "It will make things a lot easier if you need help from these folks after Mom returns home. It also helps you avoid unnecessary late charges."

If you don't have access to your parents' checking account, consider paying their bills yourself and getting reimbursed later. "However, only do this if you're absolutely sure your parents have enough money to repay you," says Haubrich.

**Advance planning tip:** As your parents age, ask them to have financial institutions, mortgage companies, etc., automatically send you copies of your parents' monthly statements. You might spot an error or trouble spot early -- before it becomes a crisis.

## **Step 3: Locate power of attorney or living trust documents.**

If your parents named you as their agent in their power of attorney, or (for larger estates) as successor trustee in their revocable living trust, you'll need to show these documents to every financial institution you deal with.

Before a bank can even tell you your dad's checking account balance, it needs this form to prove you're entitled to the information, says Shenkman. "If your name is not already on your parents' checking account, but you're listed on their power of attorney, you can still pay their bills," says Shenkman. "Simply sign checks as Jane Smith (mom's name) by John Smith (your name) as POA (power of attorney)."

If you'll be handling your mom's or dad's accounts indefinitely, add your name to their bill-paying checking account. Your bank branch manager can arrange this after reviewing the power of attorney form.

**Important:** "Be very cautious about handing over or mailing power of attorney or trust documents to anyone," says Shenkman. "Although most banks and brokers want to see the originals -- and may even ask you to mail them if they're out of state -- they'll usually settle for a 'certified true original,' which is a copy prepared by your financial professional," he says.

If you have no choice but to send the original, Haubrich suggests sending the documents by overnight mail and insisting that the financial institution overnight them back to you. An out-of-state bank or broker may also agree to have a bank officer in your hometown authenticate the documents.

**Advance planning tip:** There are three important documents you can help your parents prepare before they become ill.

### **Most important documents:**

A power of attorney form, which allows you to take care of their finances.

A health care proxy, which allows you to make life-and-death medical decisions.  
A will, which determines how their assets will be divided when they're gone.

#### **Step 4: Open their safe-deposit boxes -- with a witness.**

Your parents shouldn't keep their power of attorney form or living trust originals in their safe-deposit box. They're better off at home in a fireproof box. Why? If you don't have these important forms in hand, and you're not listed on your parents' safe-deposit box account, you're in trouble. You need those forms to gain access to their box.

If this happens, the easiest option may be to get a new power of attorney form. This is possible as long as your parent is still competent enough to authorize it. Otherwise, you'll need a court order to open the safe-deposit box -- a major hassle.

"When you open your parent's safe-deposit box for the first time, take along a witness, open the box with a video camera rolling, and immediately make an inventory -- on paper and on the videotape -- of everything inside," says Shenkman.

This might sound like overkill, but Shenkman says you'd be surprised at how often siblings accuse each other of taking valuable items out of their ill parent's house or safe-deposit box. Sometimes the items were never there to begin with.

#### **Step 5: No POA or living trust? Become your ill parent's guardian.**

In the sad event that your dad develops dementia or is so ill he cannot handle his finances -- and he has not signed a power of attorney form or created a living trust -- you'll need to go to court before you can help him.

Proving that your parent is mentally and/or physically incompetent is not a pleasant process, says Shenkman. An elder law attorney can guide you through the process. In most cases, you'll need two or more physicians to certify in writing that Dad or Mom can no longer manage his or her life alone. You'll also need to go to court and a judge will determine whether you can handle your parents' affairs.

"The judge may even appoint a 'guardian ad litem,' whom you'll have to work with to prove that you're not taking advantage of your parents," says Shenkman. "Guardianship creates a level of complexity you really don't want unless you have no other choice."

**Advance planning tip:** Becoming a parent's guardian is expensive and time-consuming. All the more reason to be sure your parents have signed a power of attorney form or established a living trust well before they might need it.

#### **Step 6: Document everything you do on your parents' behalf.**

If you pay Mom's bills, keep copies of every check you write -- either as checkbook duplicates or the check images that accompany statements. Keep bank statements, too. If you pay for anything with Mom's cash, keep detailed receipts. If you meet with a financial planner or attorney, keep thorough notes of what they advise. These kinds of details can help show siblings that you're handling your parents' affairs responsibly.

#### **Step 7: Consider hiring a financial planning team.**

If your parent develops dementia or could require care for many years, get as much outside help as you can, says Haubrich. Financial planners, tax preparers and attorneys can help you avoid common (and often expensive) financial mistakes. They can also help you decide how best to budget your parents' money or determine whether your ill parent could outlive her money. That way your siblings may feel more comfortable knowing that you're not trying to manage your parents' financial affairs on your own.

## **Step 8: Consider updating your parents' investments.**

Your dad could live another 15 years with Alzheimer's disease. Over that time, his financial objectives will probably change. A skilled financial planner can help you decide whether Dad's certificates of deposit are too conservative or whether he's got too much of his money in stocks.

"Even if you are pretty good with money, don't guess about what to do with your parents' investments," says Haubrich. "Other beneficiaries of the estate could later second-guess your choices, and you don't want that."

Haubrich says that if your parents have a reasonably large estate, a financial adviser will also consider the combined interests of both the parent and the ultimate beneficiaries. If your parent has plenty of money to cover his care for years to come, for instance, the planner might suggest longer-range investments aimed at benefiting the kids or grandkids. Those options are best evaluated with professional help.

*Teri Cettina is a freelance writer in Portland, Ore.*

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