When To Help Aging Parents With Their Finances

Are Mom and Dad having trouble managing their money? These four tips can help you determine when and how to take the financial reins.

Your parents probably helped guide you through the world of money when you were younger, but as they age the role of financial caretaker may reverse. “Aging can bring out people’s vulnerabilities, and that affects all areas of life, including finances,” says Pat Irwin, president of Elder Care Canada, a consulting service that helps adult children provide support for older parents.

Changes in cognition are a normal part of the aging process, but the signs of cognitive decline can be both dramatic and subtle — from a normally frugal person who suddenly starts buying big-ticket items to a parent’s unusual difficulty keeping up with bills. Just as you may eventually need a caregiver to assist with your parent’s physical needs, it may also become necessary to find ways to help them manage their finances.

Starting this process is not always easy. Talking to older generations about their finances means tackling sensitive and emotional topics, and it can be difficult to know when you really need to step in. Irwin offers four tips for recognizing when it’s time to intervene and doing so in a respectful and productive way.

1. IDENTIFY WARNING SIGNS
Watch out for clues that an older relative is facing difficulties. Some signs may be obvious (they stop paying bills, for example), but others may be less noticeable. Check to see whether the refrigerator is well stocked, the mail is getting opened and appointments are being kept. Slip-ups in these areas may point to organizational difficulties stemming from cognitive decline. Physical ailments like arthritis and worsening eyesight can also make it harder to perform basic tasks such as balancing a chequebook or making online payments. And emotional changes, such as dips in confidence, may add an element of risk for those who actively manage their own portfolios.

The better you know your parents’ typical behaviours, the easier it will be to spot abnormalities. Be especially aware when parents are dealing with a life-changing event, such as the death of a loved one, a health scare or losing their driver’s license. “These traumatic events are often tipping points, and increased signs of cognitive decline may follow,” Irwin says.

2. HAVE THE ‘REVERSE MONEY TALK’
Your parents probably taught you the basics of personal finance when you were grow-
ing up. Now it’s time for you to return the favour. In the “reverse money talk,” you may want to ask your parents about their financial documents (Will, power of attorney), their plans for how they’ll manage money going forward and what role you can play in that process.

Initiating this conversation often requires a special degree of compassion and sensitivity. Many older people are not only accustomed to financial independence and autonomy when making personal decisions but may also have a generational bias against discussing their finances. It could be difficult for them to hear (or admit) that they need support with financial tasks. It’s important that your loved ones not feel ambushed when you approach the topic—otherwise, they may become defensive and un receptive.

Don’t frame the conversation as you taking control of your parents’ financial life, Irwin says. Instead, position yourself as a partner in making smart financial decisions. That means asking questions, not just making pronouncements or offering advice. “Write down your talking points and leave them with your parents,” Irwin suggests. “Even if they don’t seem receptive right off the bat, they might look it over later and change their minds.”

3. ASSESS THE FINANCIAL IMPACT
The impact that a cognitive or physical decline can have on your parents’ financial situation depends on how involved they are in managing their money now. For example, an active investor who plays the stock market may be at higher risk of making potentially damaging decisions than someone who already defers day-to-day portfolio management to an Investment Advisor. In some instances, you may need to do some legwork to track down accounts and debts, spot recent big-ticket purchases, and identify risky choices.

“>If they aren’t already working with an advisor you know and trust, consider finding someone for them to work with,” Irwin recommends. “You can also ask to come along to a meeting or two.” Doing so serves a dual purpose: It gives you a better sense of your parent’s financial situation and introduces you to someone who will likely become a useful ally.

4. TAKE, TRANSFER OR SHARE RESPONSIBILITY
Your parent may be relieved to shift some financial responsibilities to someone else, whether that means you, an Investment Advisor or some other trusted professional. For example, if you notice your mother is having a hard time with her weekly grocery trips, suggest that she set up an automatic transfer into your account that you can use to do the shopping for her. You may want to sit in on your dad’s portfolio review or ask whether he’d like to designate you as a custodian or joint owner on certain accounts. To help ease the transition, consider asking a trusted third party—a family estate lawyer or an Investment Advisor—to walk you through the conversation.

Ultimately, Irwin says, you and your parents will navigate the process smoothly if you think of yourselves as partners. “You build trust first by being interested and then by making decisions with them,” she says. “Eventually, you may be making decisions for them.”

Call us today to learn more about how to help aging relatives manage their finances. We can discuss the scenarios that may best fit your family. As always, if you have any questions about your accounts or any of the information contained in this newsletter, please do not hesitate to contact us.