Helping Others Arrange Their Finances Series

Informal Arrangements

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When a parent or relative can no longer manage his or her financial affairs, other family members face a difficult but all too common situation. A recent study reported three in ten disabled Medicare beneficiaries told researchers they needed help with basic money management like paying bills and managing cash.

Family members will find that careful thought, planning and good communications are needed before any help is offered. But some elderly adults or, for that matter, their adult children won't talk about finances. They don't want to bring up unpleasant subjects. Other families have unspoken agreements about issues they do or do not talk about.

Helping others manage their finances involves both informal and formal arrangements. This fact sheet discusses informal arrangements – helping with bill paying, maintaining checking accounts and keeping records. Other topics include why managing someone else's finances is hard, how to bring up the subject and some general rules for financial management caregivers.

FSHEC95, *Helping Others Manage Their Finances Series: Formal Arrangements* discusses the importance of legal agreements to give others control of your finances when you want or need help.

Managing Another Person's Finances Is Hard

Even though family members communicate, managing another person's financial affairs is hard and likely to test a relationship. Why?

- When you suggest a family member can't manage the bills, the affected adult may feel you are giving up on him or her.
- The person who raises the issue wants to minimize his or her guilt and avoid financial problems in the future.
- Physical and mental changes in the affected adult may be so gradual that other family members have a hard time accepting the needs of an older adult.
- The person who raises the issue wants to make the "perfect" plan, to know something was done. Meanwhile, other family members suggest a more gradual, wait-and-see approach.
- The affected adult won't accept any discussion regardless of his or her current physical and mental situation.

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- Brothers, sisters and other relatives think the person who raises the issue wants control of the money.
- Some relatives and friends want to plan "for" the adult relative in failing health; others want to plan "with" the adult.

How to Bring Up the Subject

As relatives grow older or exhibit debilitating behaviors, be alert to changes in competency or the beginning signs of trouble. Concerned family members need to talk to the fragile family member about their concern to prevent further harm.

Warning! It will be difficult to start this discussion. Be prepared for your own guilt and others' guilt. Use "I" statements such as, "Mother, we are concerned about __________ ______________ because _________________." State the problem simply but assertively. Talk about the possible problems which could result. Expect to be met with denial or avoidance. Finally, listen carefully to what the fragile family member has to say.

Have a strategy to fall back on. Your relative may not want to cooperate. If not, try later. Before you end the discussion, voice things you and your relative agree about. Also, state what you feel are the consequences if nothing is done.

It may be helpful to leave the negotiating to one child and the financial mechanics to another child. In research studies about how families help fragile elderly relatives, only one or two adult children provide most of the care, usually adult daughter(s) and daughters-in-law.

Some General Rules for Financial Management Caregivers

Most of the following rules ask a parent or other adult relative to make decisions to give away control of some or all of their finances. Therefore, include the affected adult in the decision-making and, as much as possible, make it their decision.

Plan ahead for potential incapacity.

- Start early. Bring up the subject but give all parties breathing room. Often, when the right time comes, reluctant family members will be ready to act.
- Seek advice. Discuss the current health situation with doctors and other health care providers. Discuss the financial situation, as you know it, with financial advisors and attorneys. Enlist the help of a skilled helper or trusted friend who can reason with your relative. Contact the Area Agency on Aging for advice on case management services.
- Encourage seniors to consider using one or more of the formal methods discussed in the companion fact sheet: a durable power of attorney, a living will or a living trust.
- Encourage the family member while still competent to keep up-to-date financial records. Your county Extension office has publications to help you inventory important documents and possessions.
- Educate yourself – what to do; how to do; what is new. Knowing as much as possible may help relieve your guilt. Provide the same information whenever possible to your fragile relative.
- Take advantage of private and not-for-profit services for fragile adults. In addition to social security, Medicare and Medicaid, there are programs to help adults stay in their home such as Elder Choices, home care and transportation services; to reduce expenses such as property tax refunds, fuel assistance, food stamps, sales tax discounts on utility bills; and to pay Medicare premiums if he or she is a Qualified or Specified Medicare Beneficiary (QMB or SMB). Most have income and asset eligibility requirements. The Department of Human Services or Area Agency on Aging can assist you with these services.

Give your relative as much control as possible.

- Focus on what the person can do.
- Monitor large bills while the relative buys groceries and routine items.
- Limit available cash. The University of Arkansas Division of Agriculture, Cooperative Extension Service, has a set of budget envelopes to help individuals manage their cash. Cash can be divided and placed in envelopes according to a person's spending needs.
- Consider a joint checking account for the relative and the caregiver. Add an authorized signer to the relative's checking or savings account.

Involve the person.

- Ask the relative what he or she wants. Listen to your relative's wishes.

- Explain what you are doing and why. For example, offer to help write checks. Explain what you did. Have the relative sign checks.

Maintain your relative's need for financial privacy.

- Avoid questioning financial decisions.

Review options periodically.

- Your relative's capacities, assets and situation will change. If spending is out of control, you might advise local merchants not to extend credit.

- Simplify record keeping by closing out accounts, if you can get permission.

Keep your relative informed.

- Review financial decisions, even when he or she may not be able to make or remember the decision.

Keep complete records of all income and expenditures.

- Let other family members know books are open for inspection.

Keep your family member's money separate from your own.

Reconcile the bank statement each month with the checkbook.

- It is helpful to have the older person sign off each month that it is correct.

Caregivers have needs too. Do all you can to avoid burnout.

- Ask the relative to authorize direct deposit of regular income sources, such as their social security and other pension check, into their bank accounts. Also, ask the relative to authorize automatic payment from the checking account for regular bills such as the electric bill. This may save you a trip and help in keeping records.

- Be realistic about what you can and cannot do. Let other relatives know this from the beginning.

- Accept capable help. Allow time for yourself.

Checking Accounts

A **checking account** eases bill paying and leaves a record of spending. Consider the following before setting up a checking account. Who controls the account? Who can use the account? How easy is it to manage the account?

Joint Checking Accounts

A **joint checking account** provides an easy way to sign checks and pay family member's bills. The relative will still have a sense of control, especially if he or she keeps the checkbook, while a trusted relative or friend provides for the owner's welfare.

Joint accounts are easy to set up. Since the adult chooses the person who writes the checks and has access to their money, the adult is less likely to be abused financially. If the account is owned jointly with right of survivorship, at death funds pass to the survivor and are not subject to probate.

However, joint accounts can bring problems. One owner has the right to withdraw money from the account without the other owner(s)' approval. If the fragile adult becomes incapacitated, he or she will lose control of the account.

A co-owner's creditors might be able to get to the money in the account. If you mix funds with your relatives in a joint account, your eligibility for some government services might be affected.

One-Owner Accounts – Authorized Signature

A **checking account in the owner's name** with an **"authorized signer"** keeps funds under the relative's control. Since the authorized signer doesn't own the account, the helper's creditors cannot demand funds from the account. By adding a **Payable on Death (POD)** clause, at time of death the authorized signer can continue to write checks to pay any outstanding bills. Any funds in the account at time of death will not be subject to probate and may be used to pay the decedent's debts and taxes.

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