

Together, Adult Children And Aging Parents Should Plan for the Road Ahead

By Chris Kirkham

Washington Post Staff Writer

Sunday, December 10, 2006; F01

Matt Cardillo's parents were nearing retirement, and he didn't have a clue about their plans. He was only in his early 30s, but with a son on the way and a mortgage to pay, he couldn't help being concerned about their future financial stability.

His predicament: how to raise that question with the very people who taught him how to plan and save.

"Talk about the awkwardness of it," said Cardillo, a 36-year-old software consultant from Gaithersburg. "As soon as you go there with the discussion, they're thinking the extreme: Lock me away in a nursing home."

Issues associated with the later years in life -- retirement savings, long-term care, inheritance -- can be difficult subjects that neither aging parents nor their middle-aged children want to confront. But financial experts emphasize that it's in the interest of both generations to talk about long-term financial questions before a crisis hits.

That conversation, however, carries heavy emotional weight, foreshadowing a reversal of roles between parent and child and tangling the landscape of family relations.

Strategies for handling the conversation vary as widely as family styles, according to psychologists and financial experts. Some parents and their children can openly discuss many issues, including finances, while other families may need prodding to get the conversation going. Some parents, out of pride -- or even suspicion of their children's motives -- may avoid the topic altogether.

"There's the whole issue of making people talk about death and dying . . . and money," said Olivia Mellan, a psychotherapist and author of "Money Harmony," which deals with the intersection of relationships and finances. "These are two loaded issues. And together, it's a heavy thing."

Initial Resistance

Cardillo's first attempt to bring up the subject of money with his mother came as his parents were moving from one Tampa suburb to another three years ago. Cardillo and his brother went to help with some electrical and carpentry repairs at the new house.

As they were working, Cardillo asked his mother, Julia, if she had thought about long-term-care insurance to pay for nursing care or assisted living later in life.

"I looked at him and said, 'Well, a little, but we don't know much about it,' " recalled Julia Cardillo, who was 61 at the time. "I said, 'Could we talk about this tomorrow?' "

Matt Cardillo had been thinking about long-term-care insurance after reading an article about the escalating costs of nursing-home care. He knew that long-life genes ran in his family -- one of his grandmothers lived to 98.

After his initial stab, Cardillo continued to press his point, bringing it up on the phone, sending relevant newspaper articles, but without any progress. The insurance seemed too expensive, his mother kept saying.

Cardillo then set out on his own to buy a long-term-care policy for his parents. He enlisted the help of his financial planner, Tom Curtis of Gaithersburg, who narrowed the options and prepared the paperwork for a policy. When his mother came to visit after his son was born in fall 2004, Cardillo told her they had an appointment with his financial planner.

Once they got to the meeting, her resistance disappeared. Curtis presented various options on long-term-care policies and gave some additional advice on how Cardillo's parents could improve their finances.

At the end of the meeting, Cardillo signed a check for the down payment on his parents' policy, and Julia Cardillo took the paperwork home to Florida for review. His parents then started paying the premiums on the policy, which covers them for the rest of their lives and provides nearly \$37,000 a year for long-term-care expenses.

"I was really proud he brought it up," said Julia Cardillo, now 64. "It was an act of love."

Rising Health-Care Costs

The question Cardillo raised with his parents about long-term-care insurance points to a fundamental concern for families. Financial experts say that as the baby boom generation ages and health-care costs continue to rise, a greater portion of parents' medical expenses may fall on their children's shoulders.

Spending on long-term care, for example, is expected to almost double by 2020, to \$207 billion from \$123 billion in 2000, according to a report last year by the White House Conference on Aging. The report also said that more than one-third of Americans older than 65 will spend at least some time in a nursing home, with half of that group spending more than a year there.

But Medicare, the government program for the elderly and disabled, covers nursing-home expenses only in rare cases. And eligibility rules for Medicaid, the government health-care program for low-income people, have recently been tightened to make it tougher for middle- and upper-class people to divest their assets in order to qualify.

Only 6 percent of Americans buy long-term-care insurance -- many, such as Julia Cardillo, are deterred initially by the price.

But rising health-care costs, a population shift and regulatory changes may force more people to add long-term-care coverage and other financial protections to their portfolios, financial planners say, making that family conversation more important than ever.

"To ignore it and bury it, which happens more often than not, you're just looking for more problems down the line," said Arthur Stein, a financial planner in Bethesda.

Easing Into the Conversation

Opening a line of communication may be the biggest challenge. Financial experts recommend taking advantage of moments when parents bring up the subject of retirement on their own. Trying to open the conversation with, "Mom and Dad, you're getting older . . ." is usually a dead-end.

Families also need to consider timing. Depending on family dynamics, the holidays can either be a great time to talk or a terrible one. If possible, the subject should be brought up in person rather than over the phone, financial planners say.

Whatever the situation, experts say it's important to keep the dialogue rational and money-focused. Financial experts recommend that adult children have their own house in order before they start poking into their parents' accounts.

All siblings should participate in the conversation and be on the same page about the strategy. And the approach should be inclusive, by talking about how "we" can sort out the financial issues.

From there, it all depends on the individual situation. Early on, determine whether there is a will, define power of attorney for any financial or legal documents, and set up advance medical directives that spell out the circumstances in which a parent would want to die.

Those topics can often be harder for the younger generation than their parents.

"What's lurking in the background of these conversations is, 'Someday my mom and dad are going to be old and frail, and they're going to die,' " said Brian Carpenter, an assistant professor of psychology at Washington University in St. Louis who studies what middle-aged children know about their parents. "It can be a challenge talking about that with a person who used to tuck you in bed at night."

A Third Party Can Help

Aging parents often don't want to feel they are burdening others and may find it tough to accept the notion that they won't always be able to take care of themselves. In some cases, financial planners say, parents will refuse to come to appointments or let their children look into their savings.

"Usually what's going on is the parents are having a hard time coming to terms with their aging," said Elissa Buie, a financial planner in Falls Church. "They need to realize that this child is the first line of defense."

If parents or other family members resist having a conversation about long-term finances, financial experts say, it may help to have a third party such as a lawyer or financial planner participate.

"What I often say is, 'Use me as an excuse,' " said Steven Wertime, a financial planner with Wertime Financial Services in Falls Church. "I can defuse the emotional issue."

Wertime did that two years ago with Judy Henderson and her mother, Ruth Jackson, who had just moved to Northern Virginia after spending many years living in California. Henderson wanted Wertime to look at her mother's assets to determine whether she could afford to live at Goodwin House, a retirement community in Baileys Crossroads.

One looming question was her mother's insistence on sending a hefty cash gift to each of her children every year. It was something Henderson had unsuccessfully cautioned her mother about in the past.

At the first financial planning session with Henderson and her mother, Wertime casually mentioned that one of his first rules was no gifts to family members. Problem solved.

When Plans Go Awry

While financial planners say the conversation should take place before a crisis hits, sometimes events force a family's hand.

That's what happened when Terri Sutton's mother, Lee Bonenberger, was diagnosed with Alzheimer's disease in 2001, at 59. Bonenberger's husband was self-employed, and they had always assumed her work retirement plan would cover both of them.

But with added medical expenses and her mother not yet eligible for Medicare, the family was quickly thrown into a tailspin. Sutton's father, William Bonenberger, said he was at first in denial about his wife's disease. Sutton was familiar with her parents' finances from having done their taxes in the past, but she had no idea how to shift around their assets and secure the disability payments to which her mother was entitled.

The family asked Eric Hess, a McLean financial planner, to reorganize investments and set up revocable trusts that put assets in William Bonenberger's and Sutton's names. While her family had always been close, Sutton, 43, had to make it clear to her mother -- always the family breadwinner -- that she had to give up control of everything.

"The best thing was her acceptance," Sutton said, "her desire to make life easy for her family, and that was a gift."

GENERATIONS, LLC SPECIALIZES IN HELPING ADULT CHILDREN START THE DIFFICULT CONVERSATION OF AGING WITH PARENTS WHO SHOW

**SIGNS OF NEEDING MORE HELP. CALL US TODAY AND LET US ASSIST
YOU IN THIS VERY SENSITIVE SITUATION. 617 739 1639**