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Taking the parents for a (financial) checkup

By Liz Skinner

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WASHINGTON - Adults who might be used to accompanying their mom and dad on doctor visits now are finding themselves taking their parents to a different professional, this time for a financial checkup.

Around the country, financial advisers increasingly are seeing their 40- to 60-year-old customers' bringing in their parents for financial guidance and planning.

Often their parents have taken care of their own finances through the years, though they now feel it's gotten too complicated and don't want to spend their time doing it. And, importantly, they don't want to mess it up.

Tough decisions

Scott Coleman has had several families come into his office during the past two months as baby boomer customers needed to make decisions about where to put their parents in terms of assisted-living facilities and how to pay for it.

"To avoid problems with dependency and paying for care, decisions should be made before desperate situations arise," said Mr. Coleman, a financial adviser with Schaumburg, Ill.-based KRD Financial Advisory Services LLC, which manages $45 million.

The best scenario is to provide multigenerational planning that helps the oldest generation save on taxes, takes care of health-care needs and structures a giving plan to allow assets to be transferred most efficiently to future generations, he said.

Having the adult children involved in the planning process often makes the parent feel less isolated, knowing someone they already trust is involved, Mr. Coleman said. Of course, how open the parents are about their finances in front of their children will depend on each family's dynamics, he said.

The financial solutions that advisers come up with depend greatly on the extent of the parents' assets, known health problems, bequeathing wishes and philanthropic goals of the family.

One of the first things Carolyn P. Taylor, a financial adviser with Weatherly Asset Management LP in Del Mar, Calif., said that she often must do for these clients is to consolidate their finances. That can involve setting up a single account to receive Social Security payments, investment and other income and to automatically pay mortgages, trusts and other bills.

If there are real estate assets, Ms. Taylor said, she converts those properties to triple net leases, which frees the owner from any property responsibility.

"These clients may have been very aggressive investors in the past, but the fun has gone out of it for them, and they just want it simplified," said Ms. Taylor, whose firm manages about $125 million.

They also want to think about future living situations, including assisted living and reverse mortgages ("Reverse mortgages grow as planning tool," Sept. 5 issue).

Advisers who provide such services to the parents of their clients will see the relationship with the adult client solidify, Ms. Taylor said.

Steven Rainey, president of Shreveport, La.-based S.A.F.E. (Seniors' Asset and Family Estate) Planning Inc., has found a niche guiding his older clients through the Medicaid qualification process for a flat fee of $3,500.

Changing needs

Working within Louisiana laws, Mr. Rainey has found certain fixed annuities that can meet the requirements of Medicaid and still preserve client assets, he said.

He began investment advising in 1987, often setting up living trusts for clients.

"But my clients weren't dying, they were getting sick and going into nursing homes," Mr. Rainey said.

He said he bought the Louisiana Medicaid manual and became an expert in the state's eligibility requirements, which, according to Mr. Rainey, expect residents to spend their assets down to $2,000 to qualify for long-term-care benefits.

"There may be about three people in the United States that do the type of work we do, carrying people through the whole [Medicaid] application process," he said. "But there is a tremendous need, and it is growing."