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Five steps you can take to help your aging parents manage their finances

By Marc Sherman and Jason Heath, Special to Financial Post

Difficulty managing finances will likely creep up gradually, so aging parents may not ask for help. Here are five things you can do to help without...

As the population ages, many Canadians will find themselves managing wealth for their parents. Seniors own an estimated one-quarter of all financial wealth and over the coming years, their children, some of whom may qualify as seniors themselves, will be not only helping them manage it, but will likely also be the ultimate recipients of whatever is left over on their parents' deaths.

By 2036, Statistics Canada estimates that the over-65 cohort will represent more than 25 per cent of the population - more than triple the number of Canadians over the age of 65 in 1960.

Difficulty managing finances will likely creep up gradually, so aging parents may not ask for help, or even realize they need it. Signs such as unopened mail, large cash withdrawals or changes to legal documents may point to problems, but often a parent's difficulty managing their finances is less obvious.

The Alzheimer's Society of Canada reports that 15 per cent of seniors - about 747,000 - are living with some form of dementia. If you know seven seniors, the odds are at least one of them has some form of cognitive impairment. Even seniors who are not suffering from the likes of dementia may still need help with their finances, but it is a situation that children should approach with great care.

Here are five proactive steps you can take to help your parents manage their finances as they age:

1. Consolidate accounts – If your parents have multiple bank and investment accounts, try to reduce the number of accounts and institutions. They will likely benefit from lower fees and a more integrated approach.

2. Review statements – If they're comfortable sharing their financial details, your parents might be able to set you up to receive copies of their statements. If their advisers are aware that you are looking over their shoulder, it adds an additional level of oversight. You can also look for signs of financial abuse, such as large transactions.

3. Prepare a financial data organizer – Summarize accounts and advisers, details of any life insurance policies, if they have safety deposit boxes and where to find important legal documents and account passwords.

4. Hire a financial planner – It could be helpful for your parents to know if they are likely to outlive their money. Conversely, it could be helpful for you to know if they may need some level of financial support. Strategically, a financial planner may be able to identify investment, tax or estate strategies to help preserve your parents' wealth.

5. Review their estate plan – It is important to ensure that wills, powers of attorney, personal directives and similar documents are up-to-date before it is too late. Even if they are in good standing, it is also important to walk through what would actually happen with assets on death, based on beneficiary designations and joint ownership, as not all assets may pass through the estate and be addressed by a will. Proactive measures can also be taken to reduce income tax and probate fees that could be into the tens of thousands for even a modest estate.

Remember that just because someone is losing or has lost mental acuity, it does not mean that they cannot make or contribute to financial decisions. Even someone who has dementia can still express their wishes. So be sure to balance the risks of no oversight with the mistake of overstepping boundaries that are hard to establish when it comes to children getting involved in their parents' finances.

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