

10 Mistakes to Avoid in Personal Finance Management and Planning for Your Senior Years

Whether caring for senior parents, preparing for your own senior years, or just generally managing your financial life, avoid these 10 mistakes. Many of these items do not require a lot of time or work, but taking care of them can save you and your family a great deal of time, stress and money.

1. **Not having your Will, Power Of Attorney, Health Care Proxy, Living Will, and Funeral Arrangements in place and up-to-date**

SOLUTION: Update your documents.

While the will, power of attorney, health care proxy, and living will do not have expiration dates, you want to make sure that they will be effective when needed. If you do not have these documents, or you want to update them, set an appointment with an attorney to discuss your estate plans and to get your documents drafted.

This list will help you be prepared for meeting with your attorney:

WILL

- List your assets, their values, and how each title is held, including your digital estate.
- Think through to whom you would like to leave your assets.
- Prepare a family tree to determine who are your next closest kin beyond your spouse, children, parents, and/or siblings.
- If any of your beneficiaries have special needs, decide if you want a trust for that person or any other beneficiary. Decide who would be the trustee(s).
- If you have under-age children, determine who would be their guardian.
- Choose an executor of your estate and make sure they have the capacity to serve.
- Choose back-up executors, trustees and guardians.
- Organize and securely store all information and credentials for your digital accounts and digitally stored assets so they will be available to your digital estate executor.

POWER OF ATTORNEY

- Choose someone to take on the responsibility for your finances if you become incapable of handling them yourself; and ask them if they would be willing to do this.
- Name more than one person to serve together if you want to create a check-and-balance. Make sure at least one lives nearby.
- Choose a back-up person.

HEALTH CARE PROXY AND HIPAA FORMS:

- Choose a healthcare agent – someone to make health decisions for you if you are incapable of making them.
- Consider the following when making your choice:
 - Do they live in proximity to you and can be available to help out when needed? If they live far away, are they readily accessible by telephone?
 - Will this person be able to follow your wishes to end your life, even if their wishes differ? Make sure to discuss your thoughts and wishes with them and ask them if they can carry out this responsibility. If they cannot, choose someone else.
- Choose a back-up healthcare agent. Though you can name only one agent to serve at a time, you can name successor agents to act if the primary agent cannot be reached or is unable to serve.
- List all these persons on the healthcare proxy form and on the separate HIPAA/medical release form. These documents grant your healthcare agent the authority to speak with insurance companies, hospitals, and doctors.

LIVING WILL

A living will specifies the particular measures you want your healthcare agent to take if you are unable to convey your medical-care instructions. Your living will can be as simple or as detailed as you wish. Think about what measures you would want if there was no reasonable hope of your recovery to any level of cognitive existence.

FUNERAL PLANS:

Funeral planning does not have to wait until after death. You can make arrangements now to avoid leaving the burden and responsibility to your family and friends. Whether to protect your religious preferences or to make sure money is set aside, you can pre-plan your funeral.

How does this work?

- Contact a funeral home and, if appropriate, your place of worship, and start the process of planning your funeral.
- The funeral home will give you a bill, based upon current costs, and ask you to pay a portion of it. This payment is held in an escrow account and will earn interest until your death.
- After death, your funeral plans can be revised and the costs will be updated to current pricing. Any balance would be due at that time.
- If you are Medicaid eligible, the money you've paid to the funeral home is exempt – not counted as a resource for Medicaid eligibility. This allows you to ensure that your funeral is properly paid and will not become a financial burden for your family.

- In some states, there are provisions for whom may make funeral arrangements. The hierarchy is usually akin to inheritance rights, with spouse and children having priority before parents, siblings and more distant relations. In some states, an individual can override the statutory hierarchy and designate whom they want to make their funeral arrangements. If you are not emotionally close with your family or do not have closely related relatives, you should consider prearrangements for your funeral and consult with an attorney about designating someone to ensure those arrangements are carried out.

Written by Marcie G. Roth, elder law attorney

2. Not planning for living a long time, even if your will and estate planning have been completed

SOLUTION: Buy long-term care insurance or see an elder law attorney.

An important reminder: Medicare and supplemental (secondary) insurance do not cover long-term custodial care. They cover only routine care and short-term hospitalization and rehab.

- Consider where you'll live, as well as how you'll pay for long-term care and still have money for your living expenses.
- If you are healthy enough to be eligible for long term care insurance, buy it. If you have diagnosed health problems, it is still worth exploring the possibility of buying long term care insurance, because you may be insurable. You won't know unless you ask.
- If you are not eligible for long term care insurance and you do not have the funds to cover long term health care expenses, explore becoming eligible for Medicaid. Depending on the state in which you live, it can be an excellent option.
- See an elder law attorney, who specializes in planning for long term custodial care and assessing eligibility for Medicaid benefits. Plan early so you'll know what's required to be eligible for Medicaid benefits should a major illness strike. By preparing now, you will be able to live at home with home health aides, or if necessary, go to a nursing home. Planning while you are healthy is the key.
- Before seeing your attorney, put together a list of your assets and income to share with the attorney.

3. Not balancing your checkbook or reviewing your credit card charges

SOLUTION: Accept help from a family member or friend, or hire a daily money manager/ financial organizer.

What was once easy to do can get more difficult as eyesight fails, memory worsens, or handwriting becomes hard to read. To ensure that bills get paid, there are sufficient funds in the checking account, and that improper credit card charges are challenged, be willing to accept help from a family member or friend or consider hiring a daily money manager/ financial organizer. Getting this help will increase the chances of you being able to stay in your own home.

4. High-net-worth individuals forgetting to transfer sufficient funds to their accounts to cover expenditures

SOLUTION: Ask for help from a friend or hire a daily money manager

You've always had a general idea of how much was in your checking account, but at some point keeping it all in your head made managing your day-to-day finances more difficult.

Whether you are feeling challenged in your senior years, or just want to keep your finances organized, it is time for a "financial assistant."

For a start, handing over the balancing and reconciling of your checkbook to a family member or a daily money manager/financial organizer can help ensure that large purchases are covered by a transfer made to your checking account in sufficient time.

A daily money manager/financial organizer can take care of paying bills, dealing with insurance issues, organizing important documents, and manage other financial and legal matters. It will bring peace of mind knowing you can find documents, bills are paid, and your or your parents' personal finances are managed and organized before there is a health crisis or a troublesome financial mistake.

5. Paying medical bills that should be covered by insurance, or not paying medical bills that are not covered by insurance

SOLUTION: Ask for help or hire a daily money manager

Let's face it... The paperwork around illness is huge. After a hospitalization, the bills start coming in from the hospital, from the individual doctors, from the radiologists, from the labs, etc. Then the EOBs (Explanation of Benefits) from Medicare and your secondary insurance company come in.

The pile gets bigger and bigger... and more and more confusing. You are used to paying your bills in a timely way, but what to pay and what not to pay? Just when you are recuperating from your illness, the last thing you want to do is face that pile, that confusion, those phone calls to sort it all out. Some people start paying bills that will eventually be paid by the insurance companies, or they wait and don't realize it is time to pay some of the bills.

- Ask for help from a family member or friend who likes this kind of detail work, or
- Hire a daily money manager/financial organizer who is skilled in dealing with medical billing and insurance companies.

6. **Moving your mom to an assisted living facility because you didn't realize she could live with help in her own home.**

SOLUTION: Look into home health care options

Suddenly there is a phone call; Mom has fallen and broken a hip and has been taken to the hospital. Or she has had a stroke, but with therapy should be able to walk with a walker and talk again.

You may be thinking that Mom will have to be moved to an assisted living facility or a nursing home. This is not necessarily the best decision. After all, she may be happiest and most comfortable staying at home – in the neighborhood where she's lived for years – using the same hairdresser and buying from the same grocer.

Yes, changes will have to be made in her house or apartment, and caregivers may need to be hired, but the choice to stay at home should be given serious thought.

- Consult a geriatric care manager to help you assess the safety issues of Mom's home environment and arrange for improvements. They also can help you and your mom find the best home health aides.

And the good news is that, even if she does not have enough money to hire home health aides, Medicaid benefits may be available.

- Speak with an elder law attorney about eligibility for your state's community Medicaid programs.

7. **Letting your picture IDs expire**

SOLUTION: Keep your IDs current

You may be thinking: "I'm not driving anymore - no need for a driver's license." Or "I am not traveling anymore – no need for a passport." Wrong.

Banks require two forms of picture ID to open or reactivate accounts and to confirm that your old signature on file is still yours even though your signature has changed over the years.

At Eddy & Schein Group, we have had so many clients who did not have the necessary IDs. Maybe they did not have the energy, desire, or ability to go to the DMV for a state ID card, or perhaps did not they have the documentation required for proof-of-identity to get a passport.

- Hold on to your photo IDs and get them renewed regularly.
- If they have expired, take the time NOW to get new photo IDs.

8. Not creating a fixed-income retirement budget after years of living with a higher income

SOLUTION: Work with a financial planner to develop a budget

You have worked all your life and have done well. You own your city home and your country home; you have a nice investment portfolio and a good pension, along with the top level of income from Social Security. But, now that you are retired, your income is fixed, and it's not what you were making when you worked.

- Develop a budget to fit your income and include in it the cost of a long-term illness if you do not have long-term care insurance.
- See a financial planner to help you come up with the best plan.

9. Keeping all your investments in certificate form and handling multiple dividend checks

SOLUTION: Move your investments to an investment management firm

Some seniors have invested on their own over the years – little by little, in excellent stocks – and many now have portfolios worth \$500,000 or more. But, their stock certificates may be in a safe deposit box at the bank, or in less secure places like shoe boxes, file drawers, or piles on tables. Outdated, un-cashed dividend checks are often scattered in among other papers. Whether your portfolio is large or small, careful tracking of cost basis, stock splits, mergers, and incoming dividends can make you feel overwhelmed.

At Eddy & Schein Group, we encourage you to:

- Document what you own.
- Take all your stock certificates and bonds to a reputable investment management firm.
- If this is already too much of a challenge, get a family member or daily money manager/ financial organizer to assist you.

From now on you will get one monthly statement and dividends will be deposited directly into your investment account. When you need money, it can be transferred into your checking account. If you don't need the money, the dividends can be reinvested to earn you additional income.

At the end of the year, you will receive one IRS Form 1099 which you can take to your accountant for taxes – no more collecting 1099s from every company with which you hold stock. In addition, life will be much easier for your power of attorney, should you need one, and eventually, your executor.

10. Not filing taxes for several years due to illness, feeling overwhelmed, or any number of reasons

SOLUTION: Ask for help from a friend or hire a daily money manager/financial organizer

Preparing financial records for your accountant is rarely anyone's idea of fun. Imagine not getting around to it year after year, resulting with the IRS and your state's tax agency putting liens on your bank accounts.

At some point you need to deal with this problem. This will probably require asking for help, but don't put it off any longer.

- Pull together your documents. In order to do this, you may need to have a family member, a friend, or a daily money manager/financial organizer come into your home to help sort through your papers.
- Take your documents to an accountant who can file your late tax returns and negotiate a deal on your behalf regarding penalties and interest.

[See an initial checklist here.](#)

Eddy & Schein Group can help you with personal financial tasks and plans, and with organizing and preparing documents.

If you, or someone you know, could benefit from having a Personal Finance Manager, please contact Eddy & Schein Group for a **free phone consultation**.

Visit our [website](#) or call us: **New York 212-987-1427** or **California 917-881-7042**

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