MONEY MATTERS 2023:
UL SYSTEM FINANCIAL WELLNESS SERIES

SESSION #7:

FAMILY FINANCIAL PLANNING:
CARING FOR ADULT DEPENDENTS

JUNE 28, 2023

UNIVERSITY OF LOUISIANA SYSTEM
FOR YOUR FUTURE. FOR OUR FUTURE.
BRIDGING THE DIVIDE
Summer Series
MONEY MATTERS

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UNIVERSITY of LOUISIANA LAFAYETTE
B.I. Moody III College of Business Administration

Owning Your Financial Future

Adults Returning to Finish a Degree: Financial & Other Concerns June 6, 2023	Financial Planning for Graduate Students June 7, 2023	Financial & Tax Planning for International Students June 8, 2023	The Financial Aspects of Your Side-Hustle #1 – Planning, Strategies, Legal, Resources June 20, 2023	Family Financial Planning: Making Finances Work for the Whole Family June 23, 2023
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FAMILY FINANCIAL PLANNING: CARING FOR ADULT DEPENDENTS

June 28, 2023

Most sessions are from 12:00-1:00pm
*** Sessions on July 18, 19 are from 3:00-4:00pm.

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Family-Focused Financial Planning

Family Financial Planning: Making Finances Work for the Whole Family
June 23, 2023

Family Financial Planning: Sending Your Loved-Ones Off to College
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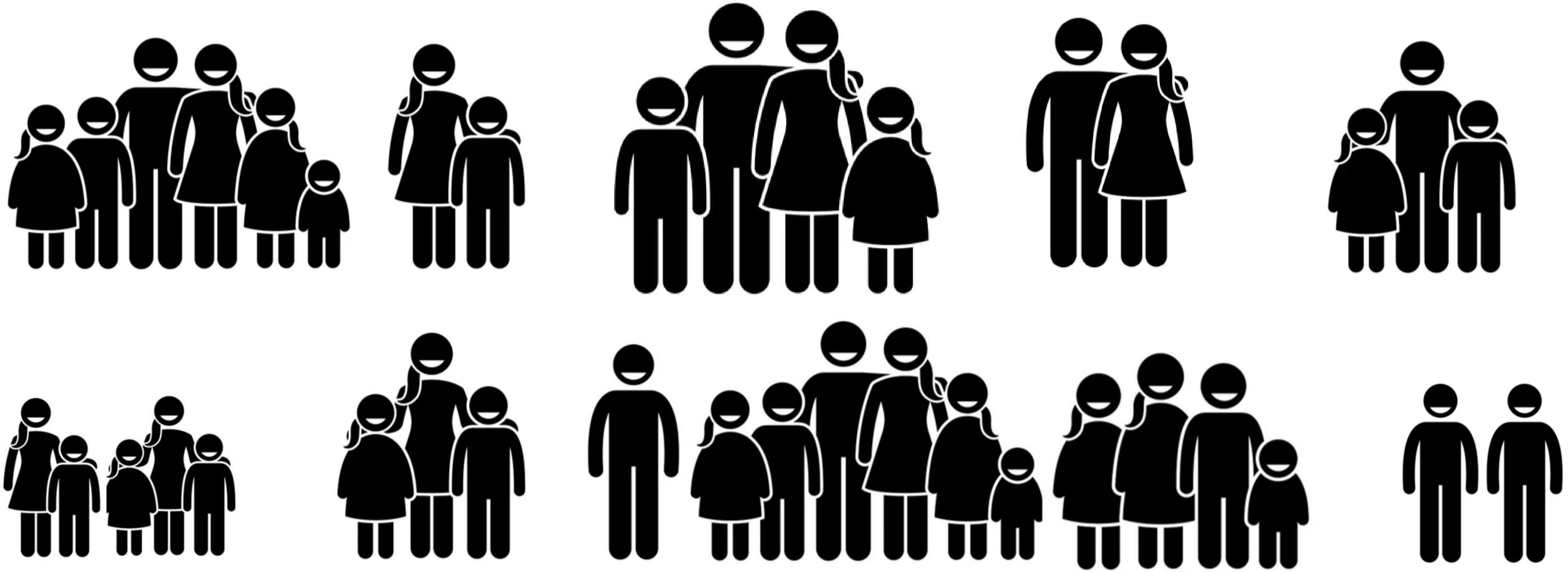
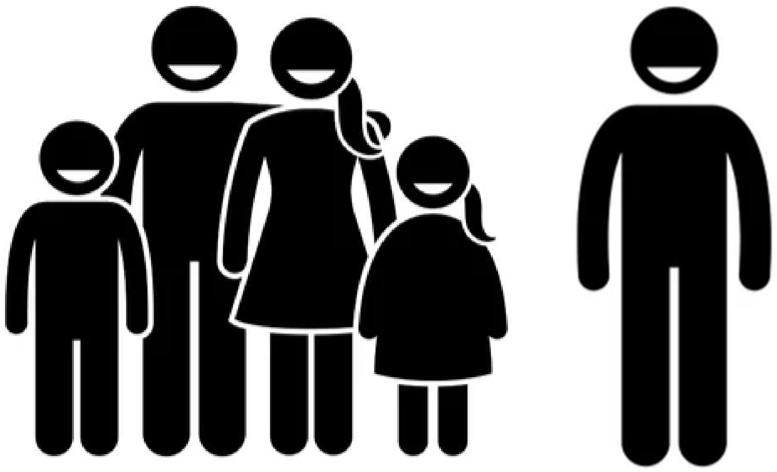
FAMILY-FOCUSED FINANCIAL PLANNING



Family-Focused Financial Planning



One Opening Moral

My bias:

Financial transparency is a good thing.

Key Topic Areas

Communication

Taxes

Money

Insurance

The Final Transition

COMMUNICATION

THE EARLIER, THE BETTER

- Communication is not just about the adult dependents, it’s about any younger children still at home whose lives will be disrupted.
  - It’s also about any other siblings or relatives who may be involved in this transition.

- Where will the adult dependents live?
- Who is responsible for finances? Do you comingle finances and accounts?
- What are their social, medical, transportation & other needs?
- What is the timing…is there a plan or wish for specialized long-term care?

COMMUNICATION

THE DIFFICULT CONVERSATIONS & TOPICS

- **Do they have life insurance?**
- **Do they have a will? A living will? A durable power of attorney?**
- **Are there trusts or income streams that need to be managed?**
  - **Many elderly lose track of different income streams they are entitled to…and thus lose out on that income.**
- **Are they going to legally become a dependent – or can they stay independent** (that is, do they have sufficient income that they do not qualify as a dependent)**?**

TAXES

- **In general, the adult dependent is legally (for tax purposes) a "dependent" if:**
  - **You provide more than 50% of their living support for the year; and,**
  - **They have less than $4,400 in gross income for the year.**
  - (There are exceptions and fine print, but this is the starting point for reference.)
- **You generally cannot claim a married person as a dependent if that person files a joint return.**
- **If you claim them as a dependent, you include their tax information on your return.**
- **And, you may be eligible for deductions and credits:**
  - **Earned Income Tax Credit**
  - **Tax Credit for Other Dependents**
  - **Child & Dependent Care Credit**
  - **Deductions for Medical Expenses (above the line)**

TAXES

	Gross Salary & Wages
Less:	Medical Expenses
Less:	Contributions to Retirement Accounts
	Adjusted Gross Income
Less:	Standard Deduction or Itemized Deduction
	Taxable Income
x	Tax Rate
	Gross Taxes Owed
Less:	Tax Credits
	Taxes Owed

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x	Tax Rate
	Gross Taxes Owed
Less:	Tax Credits
	Taxes Owed

MONEY

- **Who is responsible for finances? Do you comingle finances and accounts?**
  - **What is the role of other family members who may be involved?**
  - **It may be best to NOT comingle accounts…but for the adult dependent to give you either:**
    - **Power of attorney → Decision-making authority over all life decisions**
    - **Power of appointment → Decision-making authority over assets and finances**

- **Trusts are not just for the super-wealthy – they can be an effective way to transfer assets (a) during life, and/or (b) outside of a will.**
  - Example: My elderly mom moves in with me. She has $100,000 in savings that she no longer is comfortable managing. She intends to live off the savings, then give me any leftovers when she dies.
    - She can put the $100,000 in an irrevocable trust, withdrawing a certain amount periodically.
    - A professional trust manager (banker or lawyer) will manage the assets, according to our wishes.
    - The moment mom dies, the remaining money legally becomes mine. No will, no probate, no court. Easy.

MONEY

- **How does this affect money available and financial planning for other family members (like, children)?**

- **At what point do you sell the adult dependent's assets – house , car, anything else that will not be kept in the family via the will.**

- **At what point do you consider senior living facility or assisted care?**
  - Monthly costs begin at around $3,000 and can be as much as $15,000 for standard care.
  - In general, health insurance DOES NOT cover assisted living.
  - Long-term care or disability insurance MAY cover assisted living…but only if you chose for it to include assisted living when the policy was acquired.
  - Medicare, Medicaid and the VA generally DO NOT cover room and board, but they may cover related medical expenses and needs.
  - In general, only the medical costs associated with assisted living are tax deductible.

INSURANCE

- The general rule for insurance still applies: you want to buy it before you need it.
  - But, of course, then you feel like you're paying for something you don't need yet.

- Health insurance
  - Medicare and Medicaid may be sufficient, once the adults are eligible
  - The adult dependent may not be able to be included in the family's health plan
  - If they are under 65 and not eligible for Medicaid, they may need to get their own health insurance via the private market…which could be very expensive.

- Property, casualty and liability insurance (cars & stuff)
  - In general, we can add adult dependents to our automobile policies relatively easily (for a cost)
  - In general, adult dependents living with us are covered under our homeowners' policies
  - If they bring significant physical assets – jewelry, antiques – we may need to increase policy coverage amounts.

INSURANCE

- **Life insurance**
  - **If you're buying it for your elderly adult dependents, it's going to be very expensive**
  - **If they receive it due to the loss of a spouse, the proceeds may or may not be taxable** (they are generally only taxable if provided by an employer and over $50,000).

- **Annuities – An alternative to life insurance**
  - **Example: My elderly mom moves in with me. She has $100,000 in savings. Instead of the trust we mentioned earlier, she can buy an annuity with this $100,000. The annuity – derived from "annual" – will pay her a portion of this, say $8,000, each year until she dies.**
  - **Annuities are popular because they provide regular, fixed income.**
  - **Basically, if she lives longer than expected, it can be a good deal. If she dies earlier than expected, it's probably a lousy deal…except for the security of regular, fixed income.**
    - **Annuities CANNOT be inherited. Once mom dies, the proceeds are done.**

  - Survivorship or Second-to-Die insurance policies only pay out once both policyholders pass…while annuities stop paying when the second policyholder passes. Pay attention to this very key term.

INSURANCE

- Long-Term Care insurance
  - People over 70 file more than 95% of long-term care insurance claims (source: AARP)
  - Thus, the best time to acquire long-term care insurance is probably between 60-65.
  - Rates can be about $3,000 to $4,000 per year at this age
  - Basically….this will cover all long-term care costs that health insurance, Medicare and Medicaid do not cover…like the room & board costs of assisted living.
    - If your adult dependent is going to be living with you, this may not be necessary
- Disability Insurance – Not just for the elderly or the disabled
  - Disability insurance is really income insurance: if you are not able to work, disability insurance can provide income for a set period of time.
    - You choose the amount of coverage, you choose the length of coverage, you choose the waiting period
  - The point is…you probably DO NOT need to purchase disability insurance for your adult dependent (unless their income and ability to work is a big part of their life). Long-term care and health insurance will likely cover all of your adult dependent's medical and living needs.

THE FINAL TRANSITION

- **What happens when our adult dependent is close to passing?**
  - **Do they have a Durable Power of Attorney (for making all life decisions)?**
  - **Do they have a Living Will (for making health care decisions)?**
  - **Do they have a Will?**
  - **Do they transition to an assisted living facility for the final days?**
  - **Do they move back home from an assisted living facility for the final days?**

- **Everybody needs to have a Will, as soon as possible.**
  - **The Will will designate who gets the deceased's assets after passing (or, all of those assets that are not covered by a trust or do not have assigned beneficiaries).**
  - **However…**
    - **A Will can be contested ("…being of sound mind and body…"), and…**
    - **Executing the Will – going through probate – can take a long time and can be expensive (say, 10%)**
  - If the deceased DOES NOT have a Will, the state will control the process and the family members will probably get most of the assets eventually, but it will take a long time and will be very expensive.

THE FINAL TRANSITION

- **What happens when our adult dependent passes?**
  - **The will or trust will assign legal transfer of property and assets.**
  - **Any assets with identified beneficiaries (retirement, life insurance) will automatically transfer.**

  - **How are we going to pay for the funeral and other related services?**
    - **Having enough life insurance can take care of this, so we do not have to rely on savings.**
    - **A Certificate of Death might be required to make other decisions…and costs $25-50.**

  - **We have to manage their estate…and estates are not just for the super-wealthy.**
    - **Somebody has to pay the deceased's bills & debt and then takeover the house, vehicle & financial assets**
  - If the deceased is super-wealthy and the estate is over $13,000,000, then estate planning gets more complicated in order to minimize estate taxes…but that's a good problem for another time.

What Are Your Values, Dreams & Goals?

Education | Career | Family

What Is Your Current Situation?

Education | Career | Family | Financial

Create a Personal Financial Plan for You:

- Investing
- Budgeting
- Debt Management
- Taxes
- Insurance
- Retirement
- Education
- Family
- Business Planning
- Philanthropy
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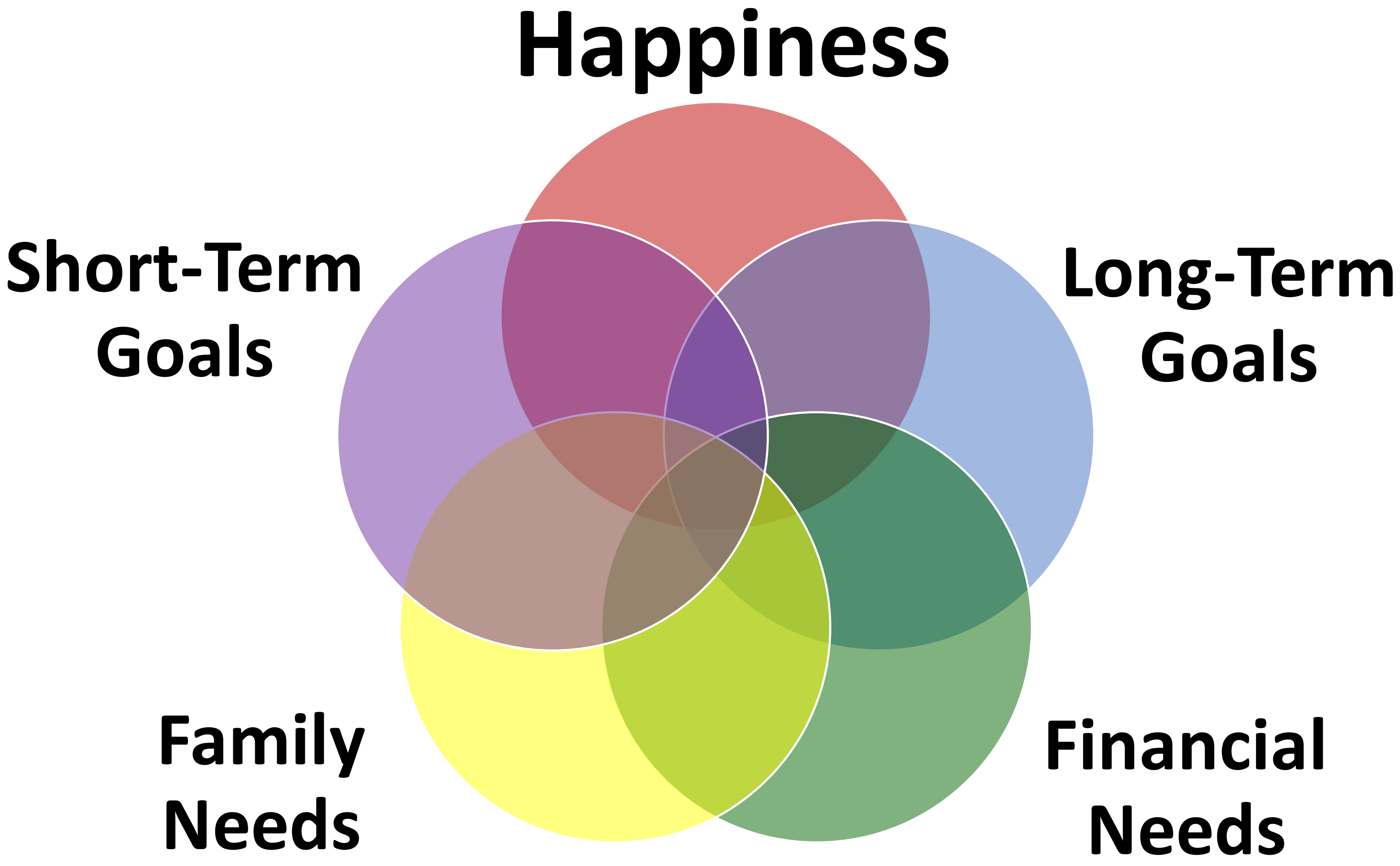

Happiness
Short-Term Goals
Long-Term Goals
Family Needs
Financial Needs

Financial Wellness

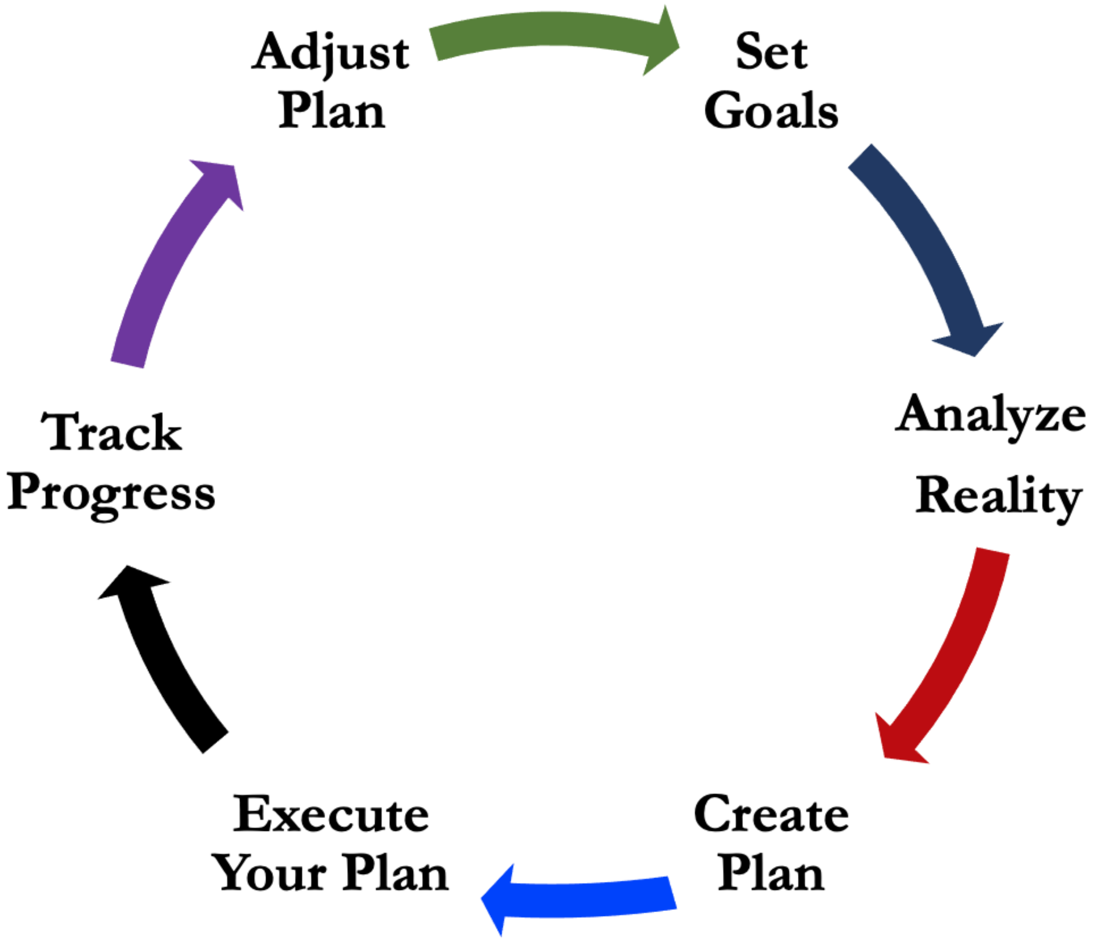
A goal without a plan is just a dream.

Wealth is largely the result of habit.

The most difficult thing is the decision to act; the rest is mere tenacity.

It takes as much energy to plan as it does to wish.

You cannot escape the responsibility of tomorrow by avoiding it today.



1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

Isn't this a lot like what you do with your education planning?

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