

Financial facts of life

It's never easy talking to parents about wills and powers of attorney, but planning well ahead can help estates get settled earlier and easier

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When you were a child, your parents explained the facts of life.

Now that you're older and they are elderly, it may be time you explained some other facts of life to them. Talking to your aging parents about wills, power of attorney and estate planning can be difficult, but experts say it is necessary and will bring immeasurable peace of mind on all sides.

"We call it the birds and the bees. It was so difficult for parents to talk to their children when they were teenagers and now it can be difficult for those children to talk to their parents about everything that needs to be talked about. But the talk is important," said Lee Anne Davies, head of retirement strategies at the Royal Bank of Canada.

"It's difficult because it's about private things and it's scary because it has the emotional issues around passing away. Watching your parents become frail and less able is very difficult."

Experts recommend that everyone have three documents:

A will, which provides instructions for your estate upon your death;

A power of attorney that gives someone else the power to deal with your finances if you're incapable;

A power of attorney to make health decisions for you if you are incapacitated prior to death.

Keep them somewhere safe; a safety deposit box at the bank is best. And make sure that someone, whether it's your children, your banker, your lawyer or your financial adviser, knows where to find the documents. Parents may still want to talk to their children about what's in the will, and what their final wishes are. Talk about whether sons- and daughters-in-law are named in the will, or just biological children. You may want to discuss whether you've made provisions for step-grandchildren, as well as grandchildren, and why or why not.

"The intentions sometimes can't be interpreted through the will and it needs to be put out on the table," Davies said. "Often there are good intentions, but sometimes those aren't expressed and people get caught by surprise. Nobody wants to leave behind hard feelings in a family when they are trying to build up this will to help family members."

If parents are reluctant to discuss these arrangements, children need to step up. Even the experts say that can be a difficult situation.

"For me personally, it took several goes to initiate the conversation and finally after a couple of glasses of red wine my father was finally able to start the conversation," said Karin Mizgala, co-founder of the Women's Financial Learning Centre and a fee-only financial planner and educator.

It's important to pick up on the hints, and the triggers, said Sandra Recine, vice-president, private trust for TD Waterhouse.

"Maybe you noticed over the holidays things like expired food products in the fridge, or parents forgetting names or medicines that are not being used. Sometimes those little hints can be used to open doors and start those conversations with parents," Recine said.

"To start the conversation, you have to be willing to pick up on the triggers. Parents may ask questions that may seem somewhat innocuous, such as 'Did you notice they put up a new retirement home down the block?'

Ask a question back: 'Have you visited it?' or 'Are any of your friends thinking about going there?'" Many financial institutions offer financial care and management services for families. These include everything from day-to-day bill payments to estate planning, and providing access to advice on nursing care facilities.

This can provide relief to children struggling to help an aging parent maintain their finances. Bringing in a professional third party can also help with privacy concerns and assist parents with more complicated estate planning.

"Sometimes it is easier for children to bring in an independent third party to get into the detail if parents seem reluctant to talk to them about it," Recine said.

Adding a professional can also help remove stress and conflict, she added.

"Your mother could tell you, 'I know you like this ring and someday it will be yours' and tell your sister the same thing. By engaging an independent third party, it allows the family to deal with just family issues and brings in someone with no vested stake."

There are other strategies for parents who are reluctant to have the conversation at all. For instance, try discussing your own arrangements. "One way to approach it is to say, 'Listen, I've just been to a financial planner and I've just put my will and power of attorney in place. My financial planner suggested I ask what your intentions are so we know what your wishes are,'" Mizgala said. "It turns the tables a bit. That way it's more of a sharing experience."

Talking about financial planning is also a good way to start, said Christine Van Cauwenberghe, a lawyer and director of tax and estate planning at Investors Group.

Point out that there have been a number of financial and estate planning tools that have been introduced in the last couple of years, such as the Tax-Free Savings Account and pension income splitting.

"Then, while you're in that world, you could say, 'By the way, I've never really met your financial adviser. What if you really did get sick? Do you have a power of attorney, someone who can take on your affairs if you're not able to?' Once you're over that hurdle, try, 'Do you have a will?'" Van Cauwenberghe said.

There's always 'the friend' anecdote: "I have a friend whose parents died without a will, or they didn't even know where to find it. I just want to make sure you've got everything in order."

Ideally, you will be able to get your parents to an estate planning lawyer or financial adviser, and he or she can take it from there.

"As soon as you go speak to an independent third party, then the discussion isn't so much a contrast between the parent and child. It's now an independent party asking objective questions and hopefully the adviser will take over the role of asking the hard questions and you won't have to," Van Cauwenberghe said.

