



## Consumer Tip July 2017: Financial Planning for the Terminally Ill



**W**hat to do at the end of a loved one's life can be extremely overwhelming, no matter the circumstance. Not knowing how to handle your loved one's finances—or what type of financial situation you'll be left to sort out—can make a difficult situation even worse. Putting financial affairs in order is key, especially when a loved one is facing a terminal illness. By working with your loved one soon after diagnosis to ensure their wishes are known and that you or another family member have the authority to carry them out, financial peace to the best extent possible can be achieved.

Candid discussions with the family and effective planning will help ensure a messy financial situation doesn't compound an already devastating experience. Financial experts suggest the following tips for those facing a life-threatening illness.

### **Create or Update Your Will**

The most important thing you can do if terminally ill is to have an up-to-date will. Less than half of Americans have a will, and not leaving specific written instructions behind means that your assets may not go where you intended. A will identifies beneficiaries and ensures your other wishes regarding your estate are honored.

### **Set Up a Revocable Trust**

Particularly if you have significant assets, a revocable trust is a good option to avoid having your estate go through probate, which can take months. The process consists of transferring all your assets into a trust in your own name with provisions that can be changed or canceled. You'll then receive income distributions from the trust until your death, at which time all assets are transferred to your beneficiaries. You can also name a co-trustee who will manage your affairs and finances should you become incapacitated.

### **Get Medical Directives in Order**

Draft a living will that stipulates the type of medical care you do or do not want should you become incapable of communicating. It may contain a "do not resuscitate" order. In addition, prepare a medical power of attorney, which gives someone you trust the authority to make medical decisions for you if you are unable to do so.

### **Durable Power of Attorney**

This document appoints someone to act on your behalf in financial and other matters. Properly drafted, it is effective

even if you become incompetent. Such arrangements can take effect immediately or only in the event you become incapacitated. This saves the expense of a guardianship.

### **Consider Giving Gifts**

Depending on the value of your estate, it may be worth it to consider giving gifts soon after diagnosis. This will help reduce the amount that your estate will have to pay in taxes. Gifts of up to \$14,000 per recipient a year are tax free.

### **Pass Along Passwords**

One of the worst situations possible is when family members are left with no way to access your accounts. This is easily preventable by creating a list of your passwords for online accounts that you give to a trusted loved one. It will help ensure that your family has immediate access to important financial websites in the event of your disability or death, and will also allow them to pay bills in a timely manner.

### **Keep Savings Intact**

Being diagnosed with a terminal illness doesn't mean you should cash in your retirement plan immediately and spend it all. People often far outlive the life expectancy given by their doctors. Plus, you'll most likely need a good amount of money for daily living expenses and medical treatments not covered by health insurance. End-of-life care is often quite costly, and this isn't an expense you want to burden loved ones with if it's avoidable.

### **Leave Instructions**

Last but not least, leave instructions for your loved ones who may have a difficult time making decisions while grieving your loss. A letter of instruction doesn't require an attorney and helps loved ones with details not covered in your will. It could include your wishes regarding funeral arrangements; a draft of your obituary; a list of insurance policies; the location of your safe deposit box and key; contact information for your attorney, accountant and financial advisor; and location of your will and other legal documents. In addition, even though it is not binding, consider making a list that identifies who should receive specific personal items, especially those with significant meaning to you and the recipient.

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