

Planning for the Elderly, the Ill, and the Unexpected

Old age, terminal illness and the unexpected led to the deaths of well-known celebrities Ed McMahon, Farrah Fawcett and Michael Jackson last week. The close succession of high-profile deaths reminds us of these three common forms in which death arrives, and also provides insight as to how to best prepare.

Planning for the Elderly. Over the course of a long lifetime, many older people recognize that death is indeed a part of life. Yet, despite being often reminded of this when scanning the obituary pages, the elderly often fall into the trap of procrastination and postpone the unpleasant task of getting their affairs in order until after it's too late.

Planning for elderly clients generally carries fewer uncertainties than planning for younger people. For instance, the children have usually completed college and often established their own families. At this point, parents don't face the difficult question of guardianship for minor children. They also know, based on how prudently their children have managed their finances to date, how, when, and in what amounts their children should receive their inheritance. Financial uncertainty is also usually less of an issue for elderly clients, although the fear of outliving one's retirement accounts is always present. There are, of course, many important estate planning decisions to be made, but reviewing those decisions from the vantage of advanced age reduces the scope of uncertainties and thus allows more focused and decisive planning.

Planning for Those with Terminal Illness. With the onset of a terminal illness, the risk of procrastination is often replaced by the risk of inadequate time and information to make measured and thoughtful decisions. But illness often serves as a catalyst to begin the planning process rather than delay it, and by doing so, these risks are diminished.

Planning in the context of a terminal illness requires taking a snapshot of the client's current situation and carrying out their wishes as best as possible. This can involve tax planning premised on one spouse predeceasing the other, as well as ensuring children from a prior marriage are not disinherited by mistake. Planning also focuses on determining the surviving spouse's financial needs, and laying the groundwork for a relatively smooth transition after the client's death.

If the illness is likely to lead to an extended period of incapacity, planning for that incapacity through a financial power of attorney and a healthcare advance directive is essential. Even better for management of financial issues is a fully funded revocable living trust, in which the client names someone to take over management of the assets in the trust when the client is no longer capable of acting as trustee.

Planning for the Unexpected. Young families risk not planning for the unexpected because they are too busy dealing with their already hectic lives. Too often, young families do not engage in even basic estate planning. Although the risks of the unexpected happening are small, when a relatively young and healthy person dies unexpectedly, the consequences may profoundly shape their children's future.

Geared primarily toward young families whose children are not yet in college, basic estate planning requires naming guardians to raise your minor children, setting up simple trusts to manage their inheritance until they reach adulthood, and providing a cushion of financial stability, often through life insurance to cover for lost income and college expenses. Incapacity planning remains essential, as the likelihood of a debilitating accident is several times higher than death. Often, estate planning for young families is limited in scope, but addresses important decisions for worst case scenarios.

Similar to the three celebrities who died last week, most of us will likely fall into one of these three categories in death. It's always beneficial to plan ahead before crisis planning becomes necessary.

Adam Bartsch, *Planning for the Elderly, the Ill, and the Unexpected*, The Shelburne News, July 2, 2009.

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