

## Dollars and Sense

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Parents, adult children and finances – a recipe for misunderstanding and confrontation, or an opportunity for generations to work together? Is it possible? Decidedly, it is – but, like all good things, it takes awareness, co-operation and planning.

It's essential to understand the dynamics that motivate both generations. Our parents, born in the 1920's or 1930's, were defined – and often scarred by – the Great Depression of the 1930's. Add to this the deprivations of World War II, especially for immigrants, and you have a cohort of financially conservative spenders, resolute savers and imaginative 'make-do-and mend'ers', wherein husbands made many of the financial decisions, leaving widows who may be uneasy dealing with money matters. The past twenty-odd years have brought almost unimaginable prosperity to this cohort, as their savings, investments and homes have soared in value. This prosperous group, conditioned to save, are now being bombarded with temptations to 'spend your kid's inheritance' on everything from vacations and high-end lifestyle communities to \$15,000 walk-in bathtubs. These can be confusing messages. For this cohort, the greatest fear is outliving their assets, being a burden on their families or being forced to accept charity.

Most adult children are baby boomers, raised in the optimism of the 1960's, taught that anything was possible, that money was to be spent making life easier and more pleasant, and that debt was simply a way of life. Many adult children have deferred retirement out of choice or necessity and may have limited savings (the 1970's savings rate was 14%; in 2008 it's 3%); many more are awaiting their inheritance, and some are depending on it. Baby boomers may be more technically savvy, more cost conscious but place less value on personal service relationships, preferring to base their shopping decisions on price. When stressed, this cohort often chooses to 'throw money at the problem'; send the laundry out, have the groceries delivered; they are also more apt to replace rather than repair – "it's obsolete now anyway".

How might these two philosophies collide – and what can be done? Let's take a look.

*Mom and Dad's bathroom is a safety disaster – but they won't spend the money, even though they can afford it!*

After a lively discussion citing 'cheapskate' and 'spendthrift', it was clear that the real issue is safety and prevention of injury. The adult children were worried about slips and falls during baths and at night; the parents dreaded the mess and upset of workmen invading their space, and fear of being cheated from not knowing enough to manage the process.

The first step was a request for social services to send an occupational therapist for a safety audit. Given the list of recommended equipment, the parents got vendor names from their doctor's office and ads in seniors' publications, while the adult kids checked out vendors on the Internet. When they compared lists, two names overlapped so each was contacted for a quote. The parents were initially horrified at the estimated costs – till the kids reminded them their last home improvement project was in 1973! The kids

arranged a subsidized low-flow toilet replacement from the city, and donated a new sink to match; grab-bars and new lighting were professionally installed, and, instead of top-end walk-in tub for \$10,000, a \$50 tub-climber from the drugstore was screwed into place. The end result, while not a designer's dream, is bright, updated, safe, and an excellent investment in the home's value.

*Dad went out for snow tires – and drove home with a new \$45,000 Camry! What was he thinking, at his age?*

Dad has always loved driving & cars; and with his 80<sup>th</sup> birthday looming, must soon be re-tested for his driver's license renewal. So many of his friends have lost their licenses, and he's seen the sad impact on their independence and self-esteem. While at the dealership, he spotted the Camry, the salesman started talking to him and before he really knew what happened, he's traded in the old car, written a cheque and was driving it home.

Certainly, this was an impulse purchase, a reaction to the potential of losing the cherished freedom driving represents, knowing bank balance was sufficient plus salesman only too happy to expedite the process ("it all happened so fast!") He's a little sheepish – but boy, he really wants this car!

His adult son's first emotion was exasperation, quickly followed by fear. Is Dad losing his ability to make financial decisions? Is it Alzheimer's? What else has he messed up? Should I take over? He visited his dad – clearly so pleased with the car, reading the owner's manual, showing off the features – it was the most excited he'd been since Mom died. They went for a spin together; Dad's driving was cautious but confident.

Back home they settled down for a talk –he shared his concerns about the purchase, listened to Dad's explanation and felt the emotion behind it. He checked the bank book; he could afford it, and since it's done, go ahead and enjoy the car, book your test and just take it day by day. But regarding other money matters... Together they reviewed dad's investments, expenses and banking arrangements, agreed to a joint account with limited amount transferred in so regular bills could be paid automatically or online, and further agreed that any further major purchases be discussed.

"So I'm not alone, or stupid or irresponsible? No Dad, you're just fine the way you are!"

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The adult daughter felt unappreciated in her efforts to assist with meals, errands and housework; now that physical care is required, she's fearful – is this the beginning of the end? "I don't want to be bathing my dad and taking my mom to the bathroom!" She also feels dismissed and insulted by her brother who never visits and turns a blind eye to their increasing needs, and angry at herself for not being willing or able to do more.

The brother felt his sister is being alarmist, but is also fearful of the cost of care and its potential impact on the parent's estate, which he is responsible for conserving for all their future needs. The parents themselves were reluctant to let strangers into the house and over the years, had become so accustomed to letting their daughter take over that they did very little for themselves and didn't see the need for outside help when their daughter always seemed so happy to help.

The first step was a visit from social services to assess and quantify the parents' needs – what type of help was actually needed, who could deliver it and what would the parents accept or be able to do for themselves. Subsidized help was sourced via social services, veterans programs, private insurance plans, and community resources such as drop-in centres and day programs. A long checklist of needs –

including everything the daughter had been doing – was drawn up and reviewed by the parents and adult children; the long list made the sister's contribution was very clear. Each of the needs was discussed in detail, matched to available services and assigned a cost based on the research. The brother, now confident about the needs and costs, developed a budget.

Services were gradually introduced as the daughter slowly relinquished her time, limiting her involvement to general supervision and escorting to medical appointments. Over time, the parents came to welcome new faces into their home.

The objective evidence both justified and assigned a price-tag to the daughter's services, increasing her self-esteem and her brother's recognition of the value of her contribution, and gave him the information he needed to earmark funds for the future. Focusing on the needs, and not on the objections, enabled this family to make a good financial decision.

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The mother knew of her daughter's antipathy to her church, but was emotionally connected to the congregation and grateful for their support. Before making her annual pledge she had spoken to her bank's financial advisor, who reviewed her expenses and income stream, suggested that payment be made quarterly when investment dividends came due, reminded her that a pledge was not legally binding and could be amended at any time, and encouraged her to speak to her again before making such a large commitment.

The daughter was furious at the size of her mother's donation. She scolded her mother, accused her of being senile and demanded an introduction to the bank manager – and her mother surprised her by setting up a meeting for the three of them. The objective evidence of her mother's ability to responsibly plan and seek expert advice collapsed her accusations and she agreed to be more respectful of her mother's decisions. Her mother also arranged to have her taxes done professionally!

Adult children and their parents may differ in their spending philosophies and behaviours, but by recognizing their motivation, seeking objective information, sharing and being honest, the generations can agree when it's money well spent.

## **Top Tips**

**Calm down and listen to the whole story – use a third party if necessary**

**Uncover their motivation – and think about yours, too!**

**Step back from your emotions and focus on objective evidence**

**Being a support – not a judge –will gain trust**

**Be respectful - remember, they were smart enough to raise you!**

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