

Caring for your aging parents

We all look forward to our later years being marked with a comfortable level of accomplishment, pride and contentment. Reality is that these feelings will be tempered with a variety of challenges that come with aging.

Just as your parents cared for you in your vulnerable years, you may, in time, be called upon as an adult to lend support as your parents age. Whether this is prompted by an open invitation or forced by a sudden medical event or erosion in mental faculties, everyone will benefit from some foreknowledge of novel and unique challenges ahead.

The guiding principle for assisting any person is to have respect, and in the case of aging in particular, every person should be enabled to live as independently as their desire, capabilities and resources will allow. And if a time comes that decisions must be made on behalf of an aging person, appropriate efforts should be made to involve the individual and share information, whether or not mandated by law.

Bear these guideposts in mind when reviewing this *InfoPage*, which outlines broad age-related issues and, where relevant, spotlights tax, financial and estate considerations.

State of mind

The quality of a person's life is primarily in how that person experiences it, and there are overlapping ways the non-physical may be viewed, variously under the categories of mental, psychological and spiritual health.

A practical expectation as we age is that our physical and mental facilities will eventually decline. This can place constraints on how we manage in existing surroundings and may concurrently affect perceptions about self and self-worth. While the impact of such changes will vary by individual, a sensible approach is to begin with a framework for understanding forthcoming challenges, which in turn will focus later actions as guided by personal factors.

Memory loss

In terms of mental capacity, memory loss is common from middle-age onward, ranging from occasional minor gaps or gaffes to debilitating permanent deterioration. As one moves along the spectrum of seriousness, harmful financial repercussions can result from misplaced money, cheques and credit cards, late bill payments and tax filings, and generally mishandled property.

In the most severe circumstances, formal legal steps may be required to take full control of a person's property and financial matters.

Loneliness and depression

Within the psychological/emotional realm, loneliness and depression may loom ever larger in later years, particularly as friends pass away and social circles contract. Attentiveness and care of one's person and property may suffer during periods of 'feeling blue' and worse.

It is important to be consciously aware of changes in an aging parent's psychological condition, whether apparently positive or negative. These can be clues to what may be happening behind closed doors, figuratively in terms of emotional state and literally with respect to property maintenance and financial oversight.

Spirituality

Spiritual issues can be especially prominent and important for those in older generations, whether or not attached to formal religion. Whichever form spirituality may take, it affects views on financial and non-financial matters from spending to housing to health care priorities to socializing ... and the list may continue almost indefinitely.

A renewed and deeper appreciation of spiritual beliefs will help in understanding a parent's perspectives so you may work together more cohesively now, and enable later fulfillment of wishes when that parent may not be able to express them aloud.

Health and medical

It is not certain that a person will experience serious health issues in parallel with aging. Still, our bodies are not built to last indefinitely. To the extent that we can prepare ourselves mentally and physically for our future selves, we may be able to extend our lives in both quantity and quality.

Medical

The frequency of visits to the doctor's office will likely increase as one ages, while home life may become marked by the daily and weekly medication schedule. If a parent has mobility difficulties, memory loss, or both, this can place a serious strain on the caregiving child in terms of time commitment for chauffeuring, and general presence for monitoring. Where there are chronic conditions that accelerate with age or conditions that have age-related onset, clearly the burden on both parent and child will be accentuated.

Palliative care

The field of end-of-life care is complex, extending beyond pure medicine into the expertise of psychology, sociology and spirituality, among others. Seeking out and understanding the nature of the field and options available is an inherently emotional undertaking and potentially exhausting process physically. As in many other areas, an early inquiry should assist in making a more satisfying decision when it is time to act.

Socializing, recreation and fitness

A healthy mind benefits from a healthy body. Establishing and maintaining an active schedule may be the simplest and broadest-reaching preventative measure an aging person can adopt. This is not something that can happen overnight – for example, in the shadow of grieving from a recently departed spouse – but even small steps in this regard can brighten a person's outlook in many other aspects of life.

Physical surroundings and injury prevention

Reduced speed, strength and agility can make an aging person far more susceptible to an accident, while a seemingly innocent bump or fall can cause more significant trauma in later ages. Whether inside the home or out in public, danger could be lurking for the aged.

Even though there may be greater confidence at home than away, there will likely come a point in time when the home must either be changed or exchanged. Modifications may need to be considered for areas such as entryways, stairs, bedrooms and bathrooms. In addition, assistive devices and special appliance features can offer both greater safety and more comfortable living. All these adaptations will come at a cost, and that cost may become prohibitive in time, leading one to consider a change in accommodation.

Housing options

Housing is not merely a physical place to be; it is an important component of who we are and often a cue to how we are perceived by others. It is also a touchstone or repository for memories, particularly for parents who have raised families in a single location. As well, for those who experienced significant economic adversity in their early lives, either individually or by generation, an owned residence may be a badge of achievement and a source of great pride to which there is a direct emotional attachment.

Bear in mind that backdrop of emotional issues when evaluating not only what housing options to consider, but as importantly *how* to approach the process of change. Indeed, there can be an element of empowerment in exercising control over the natural but inevitable process of aging. An emphasis on process rather than event can defuse the potential that such discussions may be perceived as challenges to authority and autonomy, and this can lead to more effective and satisfying decisions.

Be proactive

The earlier the discussion begins, the broader the options that may be considered. On the other hand, if change is prompted by crisis, you may be compelled to commit to an expedient resolution that is not the most desirable for long-term comfort and cost. As well, a parent with fuller faculties in an early candid discussion will be more able and likely more willing to facilitate the change legally, not to mention ease into it emotionally.

Needs and desires

Physical safety and security alone cannot dictate where one may live, though these become greater influences over time. Happiness and contentment are central to what we are as human beings, and these must be consciously built into housing decisions so that a life does not simply become an existence.

Evaluate financial resources

This is a matter of matching changing needs to current and future resources, including income sources, drawdown of accumulated wealth and support from others. By realistically projecting how a person's condition will need to be accommodated and paid for, available housing options can be narrowed to a manageable list.

Research and evaluate options

The process of housing change is virtually never a 180-degree tack from total independence to fully assisted care. A spectrum of options is available for a person to maintain as much independence as possible. The benefit of an early start is the practicality that there may be long lead times for both application and placement, and that dose of reality may affect decisions well beyond housing issues.

Legal and moral exposure

It is an unsavoury thought, but abuse and neglect of seniors is a real issue in our society. A caregiving child must not only be conscientious of his or her own involvement and actions, but also remain aware of others with whom the parent interacts.

Scams are particularly problematic

Unscrupulous thieves may try to exploit by physical intimidation, by overwhelming an individual with confusion and misdirection, through abuse of trust or simply by misleading those who have relatively easy access to cash. Police agencies can provide information on the types of scams that specifically target seniors, including suggestions for protective steps against being scammed.

Even so, whether in anticipation or in the aftermath of an unfortunate event, one cannot assume that it must be attributed to a parent's frailties (perceived or real). Any member of a complex modern society may be victimized, and an assumption of that sort could be emotionally painful and misguide future actions of both the parent and the assisting child. It is therefore incumbent to strike a balance between protective vigilance and paternalistic interference.

Income and tax management

In the saving stage of our working lives we are focused on accumulation of deposits and allocation to investment choices. In retirement, investment allocation continues to be part of the equation, but it is now directed toward facilitating the decumulation or drawdown of funds through those later years.

Below is a brief discussion of select income and tax issues. A more detailed treatment of these matters, with current financial data, is available in our companion InfoPage *Aging and Taxation*.

Registered retirement savings plans (RRSPs) – By December 31 of the year a person turns 71, RRSP assets must be realized into income, annuitized or converted into a RRIF. In some cases, such as reduced life expectancy, it may be worth considering making changes prior to the required date, depending on the amount of personal support expected from friends and family, other private and public income sources, and accessibility of accumulated wealth.

Registered pension plans (RPPs) and registered retirement income funds (RRIFs) – Commencement of plan payments, structure and elections are dependent upon age of the individual and possibly the spouse (if there is one). For locked-in RRIFs, the governing legislation (federal or provincial) will delineate the availability of unlocking rights and the ages when such rights may be exercised.

Tax savings for seniors and pensioners – In recent years, pension income splitting became available between spouses for both RPPs and RRIFs. RPP income may be available for splitting as early as age 55, whereas RRIF income usually cannot be split until age 65.

Government income sources – In the normal course, Canada Pension Plan payments commence at age 65 and continue for life, though payments may be elected as early as 60 at reduced value or as late as 70 at increased value. As well, the age of an individual and spouse may come into consideration when deciding whether to share CPP credits.

Estate planning

Estate planning is about taking care of yourself now and in later years, and addressing the needs of those to whom you have a legal or moral obligation throughout your life and after your death. While these are important issues at any life point, the effect of plan steps become increasingly more imminent as one moves into later life stages.

Beyond that, if estate planning steps are undertaken by an elderly person at the suggestion, guidance or even support of another interested person (like an adult child), those actions could be open to greater scrutiny down the road. Accordingly, if adjustments are to be considered for an aging parent's existing affairs, it is prudent to address this as early as practically possible, so that things can reasonably be expected to proceed as planned.

Below are the common instruments and procedures used in estate planning.

Wills

The Will is the cornerstone upon which all estate planning is based, and it is also the reference point for all other personal planning decisions. It states who is to receive a person's property and who is responsible for managing that process.

The validity of a Will is dependent on the proponent of that Will being able to prove testamentary capacity if called upon to do so. Being of an advanced age is not a sufficient ground on its own for impugning a Will, but it certainly can be a key consideration once married up with other circumstances.

Lifetime decision-making

If one focuses on the welfare of the aging person to the exclusion of surrounding family and friends, then the first priority – even ahead of the Will – is to assure that substitute decision-making mechanisms have been canvassed and implemented. Without these mechanisms in place, it may not be impossible to access and manage an aging person's finances and property once that person's mental capacity comes into question.

The common documents and procedures are summarized below, though terminology and procedures vary by province.

Power of attorney for property – This allows a grantor person to designate another to manage property concurrently with that grantor and/or continue to do so after the grantor loses mental capacity.

Power of attorney for personal care – This allows a grantor person to designate another to make health care, housing and other decisions of a personal nature. Most often it only becomes legally effective after the grantor loses mental capacity.

Health care directive – This allows a grantor person to state what types of medical treatment are permitted or disallowed if that grantor is not capable of providing that direction personally, due to unconsciousness or mental incapacity. It does not necessarily state who is to voice ultimate instructions, but such a directive is often included (by provincial law or drafting practice) in a power of attorney for personal care.

Guardianship and custodianship – These are court procedures whereby a judge must make an order with respect to personal and/or property management before property and personal care decisions may be implemented. The need for this procedure is often avoided if properly executed powers of attorney are in place.

Property planning

One of the principal purposes of estate planning is to allow for the administratively efficient and tax-effective transfer of property to appropriate recipients. This can often require lengthy and in-depth analysis to probe alternatives, make emotional commitment, and carry out necessary steps. Here are some such procedures:

Funeral arrangements – There is a calming effect that many people experience from making pre-planned funeral arrangements. Such a proactive step can fix the financial exposure of such final planning, and do so in a tax-reduced manner. Allowing for the sensitive nature of the topic, this could be a good way to contain costs at death.

Joint ownership – The central feature of joint ownership of financial accounts or other property is that the death of one of the joint owners leaves ownership in the hands of the survivors. Among other complications, the tax and legal effectiveness of this manoeuvre is dependent on the legal characterization (either elected or imposed), type of property, timing of transfer and relationship among the joint owners.

Beneficiary designations – For insurance, insurance-based investments and registered investments, beneficiaries can often be named. Tax and creditor protection benefits may be had if certain family members are named as beneficiaries, and the value of these benefits can be enhanced if entitlements are coordinated with trust planning.

Trusts – A trust is simple in concept and as sophisticated in practice as needs may dictate. The essence is the separation of legal and beneficial ownership, with the ability to cater the terms to maintain control of assets, protect against creditors, and obtain significant tax reduction. As with many planning strategies, timing is a critical element, which ties back into the need to pay attention to age issues.

Getting help

There are many web resources that may be consulted to get a deeper knowledge of the aging issues raised in this *InfoPage*. A suggested starting point is the Government of Canada site www.seniors.gc.ca, which has content from federal and provincial government sources along with links to both commercial and not-for-profit resources.

For more information about this topic, contact your advisor, call us at 1.800.874.6275 or visit our website at www.invescotrimark.com.

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