

# Facing Reality ▶▶▶



**Nancy D. McKee, CFP®** •  **Allegheny Financial Group** • July 2009

## A Daughter's Rite of Passage

Many of you know that my mother recently passed away after a year-long illness. One moment she was a healthy and independent woman, the next moment she was in the hospital being prepped for brain surgery for a non-cancerous brain tumor. The experience changed my relationship with my mother and brought us closer than I ever thought imaginable. Words can't describe the peace I feel knowing that I was with her during this last year.

Unfortunately, not only are there a lot of emotional issues to deal with as a parent loses the capacity to care for their self, there are financial ones as well. Even though I have six siblings, the bulk of care and decision making for our mother fell on my lap. I became her caregiver. When she collapsed, I had to manage to keep the 'home running' so to speak. After my Dad died, I got involved in her bill paying and was having her utility bills mailed directly to my house but I did not have access to her bank account. I learned that her bank would not accept our legal Power of Attorney (a separate article on Power of Attorneys is included with this newsletter). *I have since learned that my bank will not accept my legal Power of Attorney either.* Some banks require their own form. This left me in a quandary as her bank required her physical presence at the bank in order to add my name to her account. This was not possible as she was hospitalized and awaiting brain surgery. The two things that I was able to do were to create online access to her checking account because I had her PIN number and during a lucid moment, I had her sign several of her checks. Those lucid moments were few and far between.

*Please ask your bank if they will accept your own Power of Attorney or if they require their own form.* Our Power of Attorney worked in all other cases, i.e. selling her home, her car and admitting her to a nursing home.

The other smart thing that we had done, after my father died, was to prepay her funeral. We went to the funeral home of her choice and *SHE* picked out what she wanted. I can't tell you how incredibly beneficial this was. Not everyone may be comfortable doing this but *I HIGHLY recommend it.* When she passed, it saved an immense amount of time, indecision, stress and heartache. I am so grateful that she was open to doing this when she had the ability to think clearly. I think it gave her peace knowing that we would be following her wishes. Anyone who has a sibling knows that not everyone will agree on how things should be done. Because my mother planned her own funeral it eliminated some of the opinions (not all!) of others.

Have you discussed this issue with your spouse/significant other/children? Thinking about one's death is not something that is easily embraceable but the benefits to those who must step-in and act on your behalf are infinite.

The focus of this issue is estate planning but in no way covers all of the aspects and situations that can occur. Please see a qualified estate attorney for legal advice.

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## Beneficiary Designations

Beneficiary designations play an important role in estate planning. Retirement accounts and life insurance pass at death via a beneficiary designation. The primary beneficiary will receive the account first and the secondary or contingent beneficiary will come into play if the primary beneficiary has predeceased the account owner. Circumstances can change and so should your beneficiary designations. Marriage,

divorce, death or the birth of children or grandchildren can cause the designation to be outdated. **We suggest an annual review of all of your beneficiary designations to be sure they reflect your wishes.**

By registering an asset as a Transfer on Death (TOD) to another individual, this allows you to transfer ownership of those securities immediately on your death to the person you designated. Transfer on death

applies to investment accounts and Payable on Death (POD) applies to bank accounts (although Pennsylvania uses the term In Trust For instead of POD). You must live in a state that allows TOD registration. TOD does not avoid estate taxes that may be due on the asset but it does allow you to pass the asset outside of the probate process.

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## Managing your property with a living trust, durable power of attorney, or joint ownership

The following is an excerpt from Forefield Inc.

If no one is ready to look after your financial affairs when you can't, your property may be wasted, abused, or lost. You'll need to put in place at least one of the following options to help protect your property in the event you become incapacitated.

You can transfer ownership of your property to a revocable living trust. You name yourself as trustee and retain complete control over your affairs as long as you retain capacity. If you become incapacitated, your successor or trustee (the person you named to run the trust if you can't) automatically steps in and takes over the management of your property. A living trust can survive your death. There are costs associated with creating and maintaining a trust.

A durable power of attorney (DPOA) allows you to authorize someone else to act on your behalf. There are two types of DPOAs: a standby DPOA, which is effective immediately, and a springing DPOA, which is not effective until you have become incapacitated. A DPOA should be fairly simple and inexpensive to implement. It also ends at your death. A springing DPOA is not permitted in some states, so you'll want to check with an attorney.

Another option is to hold your property in concert with others. This arrangement may allow someone else to have immediate access to the property and to use it to meet your needs. **Joint ownership is simple and inexpensive to implement. However, there are some disadvantages to the joint ownership arrangement.** Some examples include 1) your co-owner has immediate access to your property, 2) you lack the ability to direct the co-owner to use the property for your benefit, 3) naming someone who is not your spouse as co-owner may trigger gift tax consequences and 4) if you die before the other joint owner(s), your property interests

will pass to the other owner(s) without regard to your own intentions, which may be different.

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## Bulls and Bears

If a bull market is a 20% rise in stock values and a bear market is a 20% fall, the first quarter of 2009 delivered both. From January 6 – March 3, the S&P 500 fell by 27.6%. From March 9 – 26, it rose 23.1%. This is the second quarter in a row containing both a full-blown bull and bear market.



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## Unclaimed Property

The new Treasury Hunt website ([www.treasuryhunt.gov](http://www.treasuryhunt.gov)) allows you to find expired savings bonds issued in 1974 or later through its searchable database of bonds registered by Social Security numbers. Bonds issued before 1974 weren't registered to Social Security numbers. The website also has useful information about lost or matured savings bonds.

The Pennsylvania Treasury Department Bureau of unclaimed property website contains a searchable database by last name. The Pennsylvania Treasury Department receives millions of dollars each year from abandoned bank accounts, forgotten stocks,

certificate of deposits, life insurance policies, uncashed checks and other sources. [www.patresury.org/search.htm](http://www.patresury.org/search.htm)

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## Another Sign of the Times

There is a web site that offers people a way to assign their digital assets (online accounts, such as email accounts, blogs, photos and social networks) to beneficiaries. If you want to ensure that, upon your death, your loved ones can get account information to the web services that you used, check it out: [www.legacylocker.com](http://www.legacylocker.com)

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Your referral is my greatest compliment. Thank you for your trust and confidence.

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