

Abstract: The “Sandwich Generation” consists of those individuals who are currently taking care of their children and their elderly parents. This article covers some critical steps to take when incorporating an elderly parent’s needs into an adult child’s estate plan.

Are you a member of the Sandwich Generation?

If you’re currently taking care of your children and elderly parents, count yourself among those in the “Sandwich Generation.” Although it may be personally gratifying to help your parents, it can be a financial burden and affect your own estate plan. Here are some critical steps to take to better manage the situation.

Identify key contacts

Just like you’ve done for yourself, compile the names and addresses of professionals important to your parents’ finances and medical conditions. These may include stockbrokers, financial advisors, attorneys, CPAs, insurance agents and physicians.

List and value their assets

If you’re going to be able to manage the financial affairs of your parents, having knowledge of their assets is vital. Keep a list of their investment holdings, IRA and retirement plan accounts, and life insurance policies, including current balances and account numbers. Be sure to add in projections for Social Security benefits.

Open the lines of communication

Before going any further, have a frank and honest discussion with your elderly relatives, as well as other family members who may be involved, such as your siblings. Make sure you understand your parents’ wishes and explain the objectives you hope to accomplish. Understandably, they may be hesitant or too proud to accept your help initially.

Execute the proper documents

Assuming you can agree on how to move forward, develop a plan incorporating several legal documents. If your parents have already created one or more of these documents, they may need to be revised or coordinated with new ones. Some elements commonly included in an estate plan are:

Wills. Your parents’ wills control the disposition of their possessions, such as cars, and tie up other loose ends. (Of course, jointly owned property with rights of survivorship automatically pass to the survivor.) Notably, a will also establishes the executor of your parents’ estates. If you’re the one providing financial assistance, you may be the optimal choice.

Living trusts. A living trust can supplement a will by providing for the disposition of selected assets. Unlike a will, a living trust doesn’t have to go through probate, so this might save time and money, while avoiding public disclosure.

Powers of attorney for health and finances. These documents authorize someone to legally act on behalf of another person. With a durable power of attorney, the most common version, the

authorization continues after the person is disabled. This enables you to better handle your parents' affairs.

Living wills or advance medical directives. These documents provide guidance for end-of-life decisions. Make sure that your parents' physicians have copies so they can act according to their wishes.

Beneficiary designations. Undoubtedly, your parents have completed beneficiary designations for retirement plans, IRAs and life insurance policies. These designations supersede references in a will, so it's important to keep them up to date.

Spread the wealth

If you decide the best approach for helping your parents is to give them monetary gifts, it's relatively easy to avoid gift tax liability. Under the annual gift tax exclusion, you can give each recipient up to \$15,000 (for 2018) without paying any gift tax. Plus, payments to medical providers aren't considered gifts, so you may make such payments on your parents' behalf without using any of your annual exclusion or lifetime exemption amount.

Mind your needs

If you're part of the Sandwich Generation, you already have a lot on your plate. But don't overlook your own financial needs. Contact us to discuss the matter further.

© 2018