

How Can I Financially Prepare for Getting Older?

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After a lifetime of taking care of yourself and your family, there comes a time when you'll need the help of others. Realizing that you may eventually need assistance can be a pivotal moment, allowing your loved ones to reciprocate the care and support you've given them over the years. Here are some helpful steps to ease the aging process for you and those around you while safeguarding your financial well-being and peace of mind.

What Can I Do To Prepare?

Step One: Simplify Your Life

As you grow older, managing multiple bank and investment accounts scattered across different institutions can become quite overwhelming. Consolidating accounts where prudent can help alleviate stress and anxiety when managing them. In other words, avoid having multiple bank accounts or chasing promotional (new member) benefits later in life.

Now, this doesn't mean you should cash out all your investments and stash the money under your mattress. Instead, you should be mindful of your decisions and avoid making things unnecessarily complex. Having too many accounts can lead to confusion. In some extreme situations, this can even lead to assets being lost and forgotten.

Step Two: Keep a Detailed List of Your Bills and Finances

Create a detailed inventory of your assets, including bank and investment accounts, and be diligent about keeping it up to date. And yes, this includes all the cash you may have stashed in your backyard, under the floorboards, or in that old cookie jar. While there may be better solutions than keeping cash on hand, having an accurate and current list of all your assets can greatly assist your loved ones in understanding your current state, allowing them to appropriately act on your behalf.

You should also maintain a thorough record of all your bills, including utilities and service providers. This ensures your children or trusted individuals are well-informed about each provider, the payment method, and the associated bank account for every bill. This comprehensive list will simplify the transition of your financial responsibilities when it becomes necessary – making sure the lights stay on.

To facilitate access to these accounts, consider using a password manager to securely store your online account information. This lets others readily access important information when needed.

Step Three: Compile a List of Trusted Contacts

Compose a list of trusted contacts whom your loved ones can reach out to if they require information or support. This list should include your financial advisor, doctors, accountant, attorney, trusted neighbor, and any other key individuals. Include their contact information so they can be reached when needed. This list can prove invaluable during critical moments.

Step Four: Assign Power of Attorney

Lastly, carefully consider the person you trust the most in your life to make financial decisions on your behalf if you become unable to do so. Ideally, you want someone who will handle your finances with the same care you would (if not better). Once you've made your decision, formally assign this person with Power of Attorney (POA).

You should inform your loved ones about this choice so that they are aware of who will be making decisions in the event of your incapacity. In most cases, we recommend assigning this responsibility to a single individual to streamline the decision-making process and minimize potential conflicts.

Selecting your POA should be done well in advance of when it's needed. Designating someone while you are mentally sound and capable ensures that you are making decisions that truly reflect your wishes and preferences.

When Should I Start Having These Conversations?

There is no one-size-fits-all approach to initiating these conversations. It will be based on family dynamics and personal needs. However, we often recommend beginning these discussions when everyone involved can contribute and make informed choices. The sooner you start, the better everyone will understand their roles when the time comes to act.

To get started, it's best to begin with basic conversations. Include your loved ones in discussions, share relevant documents with them, and provide opportunities for them to build their knowledge over time. If you're currently working with a financial advisor, consider including those you trust in your meetings. Avoid simply dropping a box of information in front of them and expecting them to sort through your financial matters independently. A gradual approach will help everyone become more comfortable and capable of understanding and managing your financial situation when the time comes.

The Bottom Line

The purpose of these steps is to help the people you care about fulfill your wishes. You don't want to burden them with a full-time job; instead, you want them to be prepared and ready to provide the care and support you'll need when the time comes.

By following these steps and maintaining open communication, you can make the aging process more manageable for your loved ones. It's never too early to start preparing, and the peace of mind it brings is truly priceless.