



## Lessons from an end-of-life financial planning story

### A checklist to help plan ahead and maximize benefits

By Jennefer Walsh

**Death is a word that most of us speak only when someone we know dies. And, it is an easier word to use when the person who died is someone outside of our circle of family and close friends.**

As difficult as it is to think about, death is inevitable. We will all have our final day on this Earth. And, while our final living moments will be different from one another, a thorough financial plan for death can be similar for all of us.

An end-of-life financial plan can be simple or complex, broad or very specific, technical or meaningful. No matter the degree to which we execute it, however, the outcome of the plan will be a comforting gift that we leave to those that we love when we die.

My inspiration for this article is my own recent experience.

Marc Neer, my stepfather, with whom I was close for most of my life, died late last year after an 11-month battle with cancer. Marc was the king of planning. The self-proclaimed "cruise director" planned all of our vacations, he planned his retirement, and at the end, he carefully planned his death.

In my role as my parents' financial planner, I worked with Marc and my mom, Mary Anne Neer, during those last months putting everything into place. Marc's end-of-life-financial plan enabled his final wishes to be easily executed without doubt or confusion.

May my family's story and the following information inspire and motivate you to take action. Please keep in mind, our story does not suggest a cookie-cutter plan, and know that each person's plan will be different. As with anything involving finances, taxes, or law, please consult your team of professionals so that they can assist you when crafting your personalized end-of-life-financial plan.

#### **Share your online account passwords, email passwords, and bill paying process.**

So much of our financial lives exist online or operate electronically. Marc began sharing his passwords when he first learned about his diagnosis. And, he already arranged for all of my parents' bills to be paid electronically. Completing this step was a great help to my mom so that she didn't have to take over blind.

#### **If you are employed, review your employer's policies and benefits.**

**Medical insurance:** One of Marc's former employers offered very affordable retiree medical insurance coverage for employees who worked for the company 10 years or more and to spouses. The employee and the spouse needed to be enrolled in the group plan before any employment termination, voluntary or involuntary. While Marc already participated in the plan, we planned to add my Mom during the next open enrollment period. Several months before the enrollment period opened, however, Marc was laid off. He was not able to add my mom to the plan. This turned out to be an expensive omission; my mom now pays considerably more for her individual medical insurance policy.

**Disability insurance:** Marc's final employer provided both short- and long-term disability insurance coverage through its group plan. Upon learning about his diagnosis, Marc filed a claim with the insurance company, which, with a claim review and his doctors' documentation, allowed him to terminate his employment and begin a disability income benefit of 60% of his income.

Because he knew that he would not return to the company, he felt conflicted about filing the claim. But, he resolved to the fact that disability insurance is in place for these types of situations. This income transition was a great relief to my parents during a time when it was needed the most.

When Marc filed his claim with the insurance company, they concurrently filed a claim with Social Security on his behalf. Once approved and six months later, Social Security began paying the majority of Marc's disability income. This meant that Marc received two monthly disability income checks: Social Security paid Marc's earned benefit and the insurance company paid the difference between the total financial commitment and what he received from Social Security.

As soon as Marc began receiving his Social Security disability income, he received a check totaling six months of disability income back pay. This check amounted to thousands of dollars. Familiar with this situation, I recommended that he keep this money somewhere safe — it wasn't a windfall for spending; the disability insurance company would request this amount from him and he would need to forward it to them.

Marc received disability income for the remainder of his life. This allowed him to concentrate on his health and to spend time with his family and friends.

**Life insurance:** When an individual terminates employment, they might have an opportunity to continue the group's life insurance coverage by converting it to an individual policy.

Marc was offered two conversion options upon termination. We reviewed the cost of continuing the coverage and the benefit that it would provide. We decided that it made financial sense to convert the coverage to an individually-owned whole life insurance policy.

This decision provided my mom with a healthy death benefit when Marc died.

#### **Review and update your account titles.**

My parents' estate-planning attorney advised that they hold all bank and non-retirement accounts with joint tenants with rights of survivorship title. This way, the accounts could easily be transferred to the other spouse upon death. And, they would also avoid probate.

#### **Consider consolidating your bank and investment accounts.**

We worked hard consolidating non-retirement and retirement investment accounts to simplify their account management. The consolidation also provided for a more organized and streamlined income-generation and deposit process.

#### **Review and update your beneficiaries.**

Non-retirement assets: We added payable-on-death and transfer-on-death beneficiary designations to all bank and investment accounts. In the event that both of my parents died prematurely, the assets would easily transfer to their children, per the allocations that they specified.

Retirement assets and life insurance policies: Per my parents' attorney's recommendation, my parents named the other as primary beneficiary and their children as contingent beneficiaries.

These updates provided further avoidance of probate. And, my parents were able to establish specific beneficiary allocations for each child.

#### **Create a will for simple asset distribution, and create a trust for assets that require more specific distribution instruction.**

We were not able to add a transfer-on-death beneficiary designation to my parents' house title. We needed their estate-planning attorney to create and file a trust that will assign the transfer of this asset to their children when both of them are gone.

#### **Complete your guardianship, powers of attorney, and living will.**

We addressed my parents' financial wishes for death by updating titles, naming beneficiaries, and by creating a trust, but we needed to address their financial and health wishes for incapacity as well. Their attorney created these remaining and essential estate-planning documents. In these documents they were able to nominate and grant agents with financial and health powers and they also spelled out their wishes regarding life-sustaining treatments.

#### **Review your pension continuation options and make a proper selection.**

Because his parents died relatively young, Marc was convinced that he also had a shorter-than-average life expectancy. We agreed that he should select the pension option that provided for a 100% continuation of benefits to the surviving spouse. While this meant a lower pension payment while he was alive, our goal was to maximize the total asset payout even past his death.

#### **Complete your long-term care plans.**

Marc was fortunate to have enrolled in a long-term care group insurance plan before becoming ill. The outcome seemed like an impossible scenario, but the cost of the LTC premiums paid for peace of mind. While Marc would not have qualified for LTC insurance when he needed it the most, he took advantage of this financial planning tool by insuring against the unknown cost of long-term-care assistance.

#### **Consider your goals for gifting.**

Many individuals prefer to pass their wealth and legacy to family and friends after their death through their estate plans (titles, beneficiary designations, wills, or trusts). Marc wanted to experience the joy of giving while he was still with us. He planned the recipients for his gifts, he planned the amounts of the gifts, and he planned the timing for giving the gifts. My mom tells me that his gifting experience was exactly the way that he wanted.

#### **Plan and prepay your final expenses.**

My mom wished that Marc could have participated in locating his final resting place; but, it was a topic that was too difficult for them to talk about. In the end, she used her best judgment and made a decision for what she thought he would have wanted.

Financially, my Mom and I learned this next lesson the hard way: the best time to shop for final arrangements is not immediately after suffering the loss of a loved one. In fact, your head is in a cloud and it is nearly impossible to process anything, let alone something with a big price tag. Shortly after Marc's services were complete, my Mom returned to the cemetery to purchase her plot and interment at a lower prepaid price so as to alleviate the stress and cost of this decision for us children.

#### **Certain financial matters require immediate attention, many others do not.**

Income: Another lesson that we learned the hard way was the correct time to apply for my Mom's spousal Social Security retirement benefit. Because Marc earned a Social Security retirement benefit, my mom was his current spouse, and she was age 60 and older and was not planning to return to work, she was eligible to start a reduced retirement benefit based on his work record. We will delay my Mom's retirement benefit until she reaches age 70 and she can collect an even greater income amount at that time.

You are required to visit a Social Security office, with a death certificate, to apply for a spousal retirement benefit. And, your benefit will not begin until your application is approved. This means you will not receive payment for the months between the date of your deceased spouse's last income check and your application approval date. When in doubt, call the Social Security Administration with your questions.

My mom also needed to call the disability insurance company to terminate their portion of Marc's disability income payments. It turns out that the policy also provided a death benefit in the amount of three months of disability income.

Finally, she needed to complete paperwork to transfer Marc's pension continuation and payment to her. While this was not something that needed immediate attention, she needed to take care of this task sooner rather than later so as to minimize her income concerns. Another unexpected benefit was a small lump sum payment that we rolled into her IRA.

Bills: She also needed to terminate certain expenses that were tied to Marc's health care or insurance. This prevented overpayment.

Accounts: Finally, but not urgently, she needed to notify certain financial institutions. At that point, they could begin their death-distribution process.

#### **Take your time with significant decisions.**

Grief clouds judgment. While family members or friends might need money or your bank might be on your case to discuss opportunities for your higher-than-average bank account balance, take your time to process all financial information. Use your best judgment to assess the urgency of the requested

decision and take a breath before you commit to anything too soon. It's been months since Marc's death and we still have yet to finalize several decisions regarding my Mom's finances. And that's OK.

#### **Final thoughts**

This experience taught me a lot. They say that you learn the most when you participate. I feel fortunate to have been included in this planning process starting in the early stages. While our plan wasn't perfect, everything turned out the way that it was supposed to for my mom. And, I can't be sure, but I hope that Marc would be proud of the work that we accomplished too.

Thank you for taking the time to read our story. And, thank you, Marc, for giving me this amazing learning opportunity and for allowing me to be a part of your final masterpiece.

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