Four reasons your aging parents might be in financial trouble

As your parents age, they will probably need more help from you. But it may be difficult to provide the help they need, especially if they’re experiencing financial trouble.

Money can be a sensitive subject to discuss, but you’ll need to talk to your parents about it in order to get to the root of their problems and come up with a solution. Before you start the conversation, consider the following four scenarios as signs that your parents might be experiencing financial challenges, and how you can make things easier for them.

1. They are dealing with debt

Perhaps your parents have fallen behind on their mortgage or credit card payments. Maybe they’re dealing with the aftermath of a large, unexpected medical bill. Or it could be that years of generously supporting their children and grandchildren have left their finances in shambles.

Whatever the cause, debt among older Americans is a growing trend. In 2010, the average debt for a family in which the head of household was age 75 or older was $30,288. In 2016 (most recent data available), that number grew to $36,757.¹

2. They are falling for fraud

According to a report by the Federal Trade Commission, older adults have been targeted or disproportionately affected by fraud. Moreover, older adults have reported much higher dollar losses to certain types of fraud than younger consumers.²

Why do scammers target older individuals? There are many explanations for this trend. Some older individuals lack an awareness about major financial issues. Others may be attractive

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targets for scammers because they have access to retirement account assets or have built up home equity. Additional factors that increase an older adult’s vulnerability to scams include cognitive decline and isolation from family and friends.

3. They aren’t used to managing finances

The loss of a spouse can create many challenges for the survivor, especially if the deceased spouse was in charge of finances. Many widows or widowers might find themselves keeping track of statements, paying bills, budgeting and handling other financial matters for the first time, which can be a complicated reality to face.

4. They struggle with change

As financial institutions continue to innovate and increase online and mobile access to customer accounts, it can be difficult for older consumers to keep up. For example, some older adults may struggle with accessing their financial information online. Others might get frustrated or confused when financial institutions implement new policies and procedures, especially if they’ve had an account with an institution for decades.

One report described the most common issues that older consumers identified with bank accounts or services. The top three complaints involved account management (47 percent), deposits and withdrawals (27 percent), and problems caused by low funds (12 percent).3

Ways you can help

Regardless of the reasons why your parents might be having money problems, there are steps you can take to help them.

• **Set up a meeting with a financial professional.** Encourage your parents to meet with a professional to evaluate their financial situation.

• **Help them reduce spending.** Look for big and small ways that they can scale back on expenses, such as downsizing to a smaller home, cutting cable plans, or canceling unnecessary memberships/subscriptions.

• **Have them tested for dementia.** If you’ve noticed behavioral or memory changes in one or both of your parents, share your concerns with a medical professional. Cognitive decline can result in difficulty managing finances.

• **Lend money (using caution).** If you decide to help your parents monetarily, consider paying your parents’ expenses directly rather than giving them cash so you can ensure that their bills are paid on time.

• **Help them apply for assistance.** The National Council on Aging has a website, BenefitsCheckUp.org, that can help you determine your parents’ eligibility for federal, state and private benefit programs.

**WHAT ARE SOME TIPS FOR CREATING A HOME INVENTORY?**

Imagine having to remember and describe every item in your home, especially after you’ve been the victim of a fire, theft or natural disaster. Rather than relying on your memory, you may want to prepare a home inventory—a detailed record of all your personal property. This record can help substantiate an insurance claim, support a police report when items are stolen or prove a loss to the IRS. Here are some tips to get started.

**Tour your property.** A simple way to complete your inventory is to make a visual record of your belongings. Take a video of the contents of each room in your home and spaces where you have items stored, such as a basement, cellar, garage or shed. Be sure to open cabinets, closets and drawers, and pay special attention to valuable and hard-to-replace items. You can also use the tried-and-true, low-tech method of writing everything down in a notebook, or use a combined approach. Mobile inventory apps and software programs are available to guide you through the process.

**Be thorough.** Your home inventory should provide as many details as possible. For example, include purchase dates, estimated values, and serial and model numbers. If possible, locate receipts to support the cost of big-ticket items and attach copies of appraisals for valuables such as antiques, collectibles and jewelry.

**Keep it safe.** In addition to keeping a copy of your inventory at your home where you can easily access it, store a copy elsewhere to protect it in the event that your home is damaged by a flood, fire or other disaster. This might mean putting it in a safe deposit box, giving it to a trusted friend or family member for safekeeping, or storing it either on an external storage device that you can take with you or on a cloud-based service that provides easy and secure access.

**Update it periodically.** When you obtain a valuable or important item, add it to your inventory as soon as possible. Review your home inventory at least once a year for accuracy. You can also share it annually with your insurance agent or representative to help determine whether your policy coverages and limits are still adequate.

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RULES ON OPENING A 529 PLAN ACCOUNT FOR COLLEGE

Year over year, participation in 529 plans continues to rise.\(^4\) Anyone can open an account, lifetime contribution limits are typically over $300,000, and there are tax benefits if the funds are used for college. Here are some common questions about opening an account.

Can I open an account in any state’s 529 plan or am I limited to my own state’s plan?

**Answer:** It depends on the type of 529 plan you have: college savings plan or prepaid tuition plan. With a college savings plan, you open an individual investment account and direct your contributions to one or more of the plan’s investment portfolios. With a prepaid tuition plan, you purchase education credits at today’s prices and redeem them in the future for college tuition. Forty-nine states (all but Wyoming) offer one or more college savings plans, but only a few states offer prepaid tuition plans. 529 college savings plans are typically available to residents of any state, and funds can be used at any accredited college in the United States or abroad. But 529 prepaid tuition plans are typically limited to state residents and apply to in-state public colleges.

Why might you decide to open an account in another state’s 529 college savings plan? The other plan might offer better investment options, lower management fees, a stronger investment track record, or better customer service. If you decide to go this route, keep in mind that some states may limit certain 529 plan tax benefits, such as a state income tax deduction for contributions, to residents who join the in-state plan.

Is there an age limit on who can be a beneficiary of a 529 account?

**Answer:** There is no beneficiary age limit specified in section 529 of the Internal Revenue Code, but some states may impose one. You’ll need to check the rules of each plan you’re considering. Also, some states may require that the account be in place for a specified minimum length of time before funds can be withdrawn. This is important if you expect to make withdrawals quickly because the beneficiary is close to college age.

Can more than one 529 account be opened for the same child?

**Answer:** Yes. You (or anyone else) can open multiple 529 accounts for the same beneficiary, as long as you do so under different 529 plans (college savings plan or prepaid tuition plan). For example, you could open a college savings plan account with State A and State B for the same beneficiary, or you could open a college savings plan account and a prepaid tuition plan account with State A for the same beneficiary. But you can’t open two college savings plan accounts in the same 529 plan in State A for the same beneficiary.

Also keep in mind that if you do open multiple 529 accounts for the same beneficiary, each plan has its own lifetime contribution limit, and contributions can’t be made after the limit is reached. Some states consider the accounts in other states to determine whether the limit has been reached. For these states, the total balance of all plans (in all states) cannot exceed the maximum lifetime contribution limit.

Can I open a 529 account in anticipation of my future grandchild?

**Answer:** Technically, no, because the beneficiary must have a Social Security number. But you can do so in a roundabout way. First, you’ll need to open an account and name as the beneficiary a family member who will be related to your future grandchild. Then when your grandchild is born, you (the account owner) can change the beneficiary to your grandchild. Check the details carefully for any plan you’re considering because some plans may impose age restrictions on the beneficiary, such as being under age 21. This may pose a problem if you plan to name your adult son or daughter as the initial beneficiary.

What happens if I open a 529 plan in one state and then move to another state?

**Answer:** Essentially, nothing happens if you have a college savings plan. But most prepaid tuition plans require that either the account owner or the beneficiary be a resident of the state operating the plan. So if you move to another state, you may have to cash in the prepaid tuition plan.

If you have a college savings plan, you can simply leave the account open and keep contributing to it. Alternatively, you can switch 529 plans by rolling over the assets from that plan to a new 529 plan. You can keep the same beneficiary when you do the rollover (under IRS rules, you’re allowed one 529 plan same-beneficiary rollover once every 12 months), but check the details of each plan for any potential restrictions. If you decide to stay with your original 529 plan, just remember that your new state might limit any potential 529 plan tax benefits to residents who participate in the in-state plan.

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\(^4\) Strategic Insight, 529 Data Highlights, 3Q 2018.
QUIZ: SOCIAL SECURITY SURVIVOR BENEFITS

Did you know that Social Security may pay benefits to your eligible family members when you die, helping to make their financial life easier? Take this quiz to learn more.

Questions

1. What percentage of Social Security beneficiaries receive survivor benefits?
   a. 5 percent
   b. 10 percent
   c. 15 percent

2. Your child may be able to receive survivor benefits based on your Social Security earnings record if he or she is:
   a. Unmarried and under age 18 (19 if still in high school)
   b. Married and in college
   c. Both a and b

3. Which person may be able to receive survivor benefits based on your Social Security earnings record?
   a. Your spouse
   b. Your former spouse
   c. Both a and b

4. Your parent may be able to receive survivor benefits based on your Social Security earnings record.
   a. True
   b. False

5. How much is the Social Security lump-sum death benefit?
   a. $155
   b. $255
   c. $355

Answers

1. b. About 10 percent of the approximately 62 million Social Security beneficiaries in December 2017 were receiving survivor benefits.5

2. a. A dependent child may be able to receive survivor benefits based on your earnings record if he or she is unmarried and under age 18 (19 if still in high school) or over age 18 if disabled before age 22.

3. c. Both your current and former spouse may be able to receive survivor benefits based on your earnings record if certain conditions are met. Regardless of age, both may be able to receive a benefit if they’re unmarried and caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits on your record. At age 60 or older (50 or older if disabled), both may be able to receive a survivor benefit even if not caring for a child (a length of marriage requirement applies).

4. a. That’s true. To be eligible, your parent must be age 62 or older and receiving at least half of his or her financial support from you at the time of your death. In addition, your parent cannot be entitled to his or her own higher Social Security benefit and must not have married after your death.

5. b. The Social Security Administration (SSA) may pay a one-time, $255 lump-sum death benefit to an eligible surviving spouse. If there is no surviving spouse, the payment may be made to an eligible dependent child. The death benefit has never increased since it was capped at its current amount in a 1954 amendment to the Social Security Act.6

This is just an overview. For more information on survivor benefits and eligibility rules, visit the SSA website, ssa.gov.

6  Research Notes & Special Studies by the Historian’s Office, Social Security Administration.