

# When Clients Age, Advisors Need To Keep Documents In Order

The right discussions, and documents, make everything easier for aging clients, family members and advisors

BY ROMANA KING

Neither the aging of the work force nor the increasing longevity of working life has led businesses, families or healthcare providers to adjust their thinking about how old is too old.

And just as you read the latest on health, aging and demographics and their impact on our society, in walks a couple – clients you have known for almost two decades.

You have watched their children grow up, become educated and start lives of their own. At the same time you have helped them adjust and readjust their portfolio to meet their changing needs. But as you talk to them you realize that, despite the long, close, but professional relationship you have enjoyed with them over the years, you are still unsure (and uncomfortable) about how to approach the issue of aging.

So, when is it a good time to talk about the aging factor in the advisor-client relationship?

For Betty-Ann Howard, MSW and CFP at Independent Planning Group Inc., in Kingston, Ont., the process (like most other processes) starts with communication.

“In a long-term client relationship, I have already talked to them about the concerns and issues they may face with aging,” says Howard. “I have also already met their kids, talked to them about their plans and the importance of communicating that plan with loved ones.”

However, given that Howard, as with many advisors, continues to start relationships with clients in pre- and post-retirement years, she suggests that advisors be mindful of the need for talking about the impact of age on a person’s cognitive abilities.

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“I would approach the topic delicately and respectfully,” says Howard, “but I would also concentrate on normalizing the process.” Rather than starting a conversation with the assumption that a client is having difficulty, I would start the conversation by relating how I, too, have difficulties. For example, says Howard, if she’s talking about a particular, complicated product, she’ll say, “I’ve had 10 years, experience and all kinds of training in this and I still can find it complicated. Can you relate?” By asking a question, prefaced with her own humanity, Howard is prompting honest communication from her client. “In counselling it’s called normalization,” says Howard, who spent close to three decades in the field of social work and nursing, at times helping to develop federal initiatives in these areas. “And it can elicit answers you are looking for.”

Peter Merrick, founder of merriewealth.com and author of *The Essential Individual Pension Plan Handbook*, also knows the importance of an advisor’s willingness to ask questions. “You have to talk about it,” he says when asked how he approaches clients about the impact of aging.

In his recently released book he dedicates an entire section to the three stages of retirement and the impact aging and health *has* on those stages.

“Tough questions need to be asked,” explains Merrick. “As an advisor, who is objective, we are in a good position to ask these questions.” Merrick suggests asking clients: if you can’t take care of yourself, how would you like to be taken care of?

He also points out that advisors – as active money managers – must ensure all their clients have an ironclad power of attorney (POA) on file.

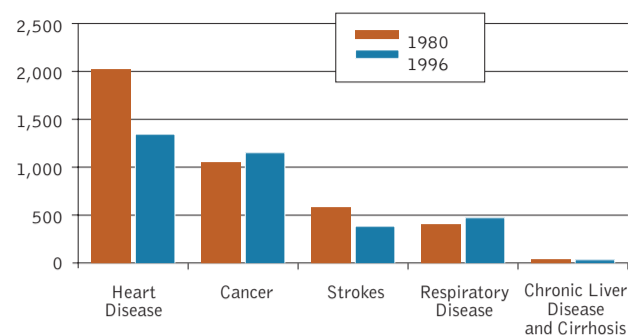
A power of attorney grants a designated person the authority to carry out financial or health affairs on a grantor’s behalf, in the event that a person cannot do it him/herself.

Merrick and Howard believe that all clients need to be informed of the importance and difference of having a POA.

Barry Fish, a wills and estates lawyer with Fish & Associates, based out of Thornhill, Ont., explains that there are two types of POAs: financial and personal

## DEATH RATES AMONG SENIORS

Deaths per 100,000 population



Source: Canada’s Aging Population Report, Government of Canada, 2002

care.

Under the financial POA umbrella there is the bank power of attorney and the continuing power of attorney for property. The risk with a bank POA is that it is limited to bank transactions, says Fish. Also, it will terminate upon mental incapacity and, at that point, the government becomes involved in your financial affairs.

The continuing power of attorney for property gives a designated person authority in all of the grantor’s financial matters, including real estate. (This type of POA may be called enduring power of attorney in other provinces.) Unlike a bank power of attorney, it survives incapacity and takes effect immediately upon receipt of the document, explains Fish.

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For clients uneasy about when a POA document takes effect, there is the option to suspend the POA until they are actually proven incapable. Fish notes this can be dangerous, however, as it can be difficult to prove mental incapacity to a financial institution’s satisfaction (Alzheimer’s, for example, isn’t considered mental incapacity by the medical profession, though professionals working with a client diagnosed with Alzheimer’s may disagree). Instead, Fish suggests that a grantor hold on to the document, and not hand it over to the designated person right away. Keep it with a lawyer instead.

A personal care power of attorney addresses health decisions. It has three components: the need for medical consent, the ability to obtain medical records; and the authorization of treatment by a medical professional. This type of POA is also known as a living will and it sets out the person’s intentions or wishes about organ donations, life support systems and

general lifestyle, should they become incapable. Unlike the financial POA, the personal care POA is not effective until the person is found to be incapable by a medical professional, Fish says.

Merrick suggests advisors examine POAs to ensure that multiple documents do not nullify each other and can remain in force simultaneously.

Howard also suggests that clients be prepared to assign an alternate appointee in the POAs, in case the appointed person becomes incapacitated, predeceases the client or is unavailable.

As for providing financial planning advice to aging clients, Merrick suggests examining the annuity options.

“The simple way is to buy an annuity. It pays a set income – for example, if it’s a \$1 million policy, it would pay \$60,000 to \$70,000 a year – all a client has to do is show up.”

In fact, Merrick, a fee-based advisor, recently had a client who, convinced she was really poor, sold her house and started renting a condo for \$30,000 a year. While she had a \$2 million investment portfolio, with a money manager, she was paying \$42,000 a year in taxes. That left her only \$14,000 a year.

“Every time her broker called, it wasn’t about what she wanted to achieve, it was about a bond maturing and the need to buy another.”

Merrick sat and talked to the client – he determined what she wanted and then developed a financial plan that would suit these needs.

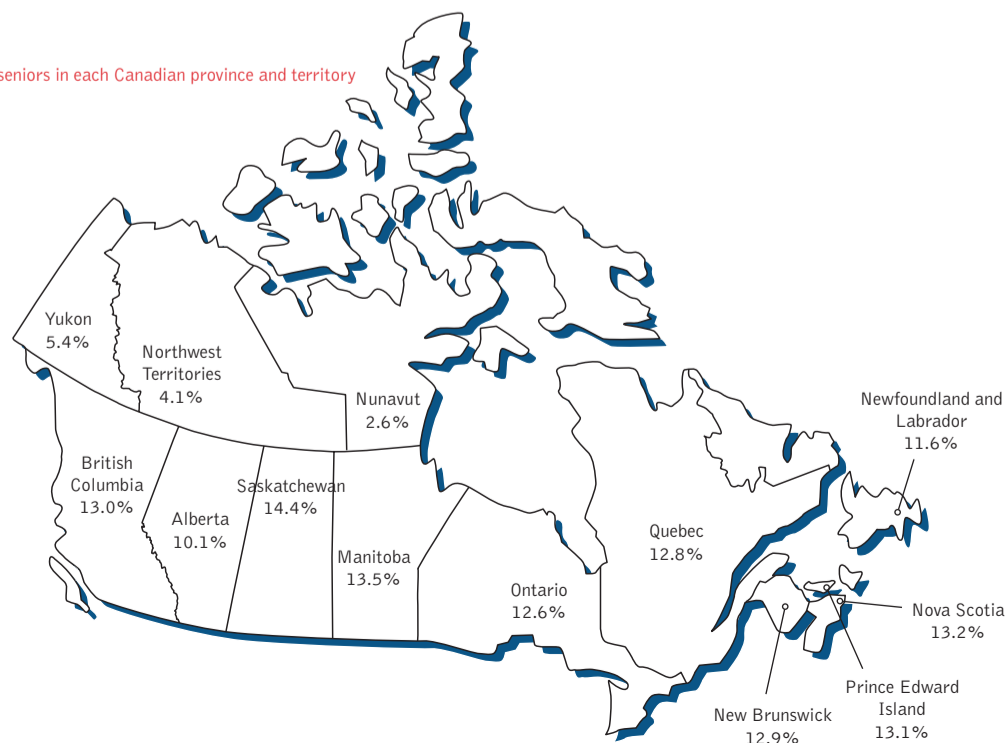
“I asked questions, that was the difference.”

For Howard the question and answer portion of her client relationship is essential. It enables her to get a better grasp on what her client’s wants and needs are and that helps her develop and execute plans that are better suited to the client’s goals.

“We have to take the time with people,” she says, particularly as they age.

## CANADA’S AGING POPULATION FOR THE YEAR 2000

Percentage of seniors in each Canadian province and territory



Source: Canada’s Aging Population Report, Government of Canada, 2002