Are you a member of
the Sandwich Generation?

Individuals that are currently taking care of their children and their elderly parents are among those of the "Sandwich Generation." While it may be personally gratifying to be able to help aging parents, it can be a financial burden.

If an adult child wishes to handle the financial affairs of parents in the later stages of life, they can incorporate their parents' needs into their own estate plan while tweaking, when necessary, the arrangements the parents have already made. Here are five critical steps:

Identifying key contacts. A great place to start is compiling the names and addresses of professionals important to the parents' finances and medical conditions, and reviewing their qualifications. These may include stockbrokers, financial advisors, attorneys, accountants, insurance agents and physicians.

Listing and valuing their assets. In order to properly manage the financial affairs of parents, it is necessary to have knowledge of their assets, income and expense structure. It would be wise to keep a list of their investment holdings, retirement plan accounts and life insurance policies, including current balances and account numbers. Adding in projections for social security benefits and other sources of income is also important. When all is said and done, the result should be a clear understanding of the parents' net worth, which can be used to formulate the appropriate planning techniques.

Opening the lines of communication. It is essential to have a frank and honest discussion with relatives, as well as other family members who may be involved, such as siblings, early in the process. Making sure that the parents' wishes are understood and explaining the objectives that the plan aims to accomplish will provide necessary clarity. Understandably, the parents may be hesitant or too proud to accept help initially. It is important to make sure that these conversations conclude with clear goals and next steps agreed upon by all parties involved and that there is transparency and understanding as to what the plans entail. Effective communication can minimize issues that may come up down the road.

Executing documents. Assuming all necessary parties agree on how to move forward, a plan should be developed incorporating the appropriate legal, healthcare or other documents. If the parents have already created one or more of these documents, these should be reviewed as they may need to be revised or coordinated with any changes to the updated plan. Some elements commonly included in an estate plan are:

- **Wills.** The parents' wills control the disposition of their possessions, such as cars and jewelry, and tie up other loose ends. Notably, a will also establishes the executor of the parents' estates. The child lending financial assistance 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 does not have to go through probate, so this might save time and money, while avoiding public disclosure.

- **Power(s) of attorney.** 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. Having power of attorney will enable the child to better handle their parents' affairs.

- **Living wills or advance medical directives.** These documents provide guidance for end-of-life decisions. It's important that the parents' physicians have copies so they can act according to the parents' wishes.

- **Beneficiary designations.** The parents will have likely filled out beneficiary designations for retirement plans, IRAs and life insurance policies. These designations supersede references in a will, so it is important to keep them up to date.

Spreading the wealth. If it is decided that the best approach for helping out parents is to give them monetary gifts, it can be relatively easy to avoid gift tax liability. Under the annual gift tax exclusion, up to $14,000 can be gifted to each individual without paying incurring gift tax. Additionally, payments made directly to medical providers aren't considered gifts, so such payments can be made on the parents' behalf without using any of the annual exclusion or lifetime exemption amount. There may be exceptions, so to avoid an issue down the road, it is important to discuss which medical expenses apply with your advisors.

As we grow older, our responsibilities become more complex. If you are part of the Sandwich Generation, those responsibilities can include raising your children while also taking care of your aging parents. To properly consider all of your options, contact your advisor or Anchin Private Client Leaders Jared Feldman or Ehud "Udi" Sadan at info@anchin.com.

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