

DEALING WITH PARENTS' FINANCIAL PROBLEMS

We get our first lessons about saving and spending our money wisely from our parents. That's why it can be particularly difficult for adult children to recognize the problem when their own parents have financial troubles. But many Americans have had to do just that, as the older generation—and their retirement nest eggs—have been particularly hard hit in last year's market meltdown. The New Hampshire Society of CPAs offers this advice for those trying to cope with a parent's financial questions and concerns.

Acknowledge the Problem

It can be embarrassing for parents to turn to their children for help, so they may ignore or conceal the problem until it's too late. Don't be afraid to raise the issue yourself, asking if and how your parents have been affected by the bad economy and what hardships it may have caused them. Be sure in particular to look for warning signs of money troubles, including unpaid bills, bounced checks, calls from creditors or indications that they are cutting back on meals or other necessities. Once you have the facts in hand, you have a better chance of solving whatever problems your parents are facing.

Don't Panic

When things go wrong, people often are tempted to do something—anything—in a hurry. If your parents are grappling with financial problems, try to reassure them that it's best to take a deep breath and consider their options before making any hasty moves. If they lost a great deal of money in the stock market, for example, urge them not to immediately put all their existing savings into a new investment they hope will be safer. Instead, take the time to study a number of possibilities and pick the one that seems the most prudent now and for the long term.

Reconsider Retirement

If your parents are not yet retired, talk to them about the possibility of remaining in the workforce longer than they had expected. With lengthening life spans and improving health, many people are working long past the traditional retirement age of 65. Postponing their retirement date provides two benefits: It gives them more time to bulk up their retirement nest egg and it can help ensure there's more waiting for them when they are ready to quit working.

Look for Smart Fixes

If your parents are scrambling to find ways to meet expenses, be aware that there may be some simple solutions available to them. For example, if they haven't refinanced their home mortgage recently, it might be possible to cut their monthly payments by getting a new loan with a lower interest rate. If they have gone into debt because of financial problems, a home equity loan might be the answer because they usually carry relatively reasonable interest rates, and the interest on this loan may be tax deductible as well. Your parents can use the money from a home equity loan to pay off high-interest-rate credit cards or other costly financing, once again lowering their monthly outlays. Transferring debt from a high-rate card to a low- or no-interest card is another good way to bring down fixed costs. Be wary of one option often marketed to seniors—reverse mortgages, a kind of loan available to seniors that is used to release the home equity in one lump sum. While these may be appropriate in certain circumstances, the fees associated with the type of mortgage are high and other options should be explored first.

Consult Your CPA

It can be daunting to try to help your parents navigate their way through a financial crisis, but remember that help is available. Your local CPA can offer advice on a wide range of issues facing your family. Be sure to turn to him or her for help with all your financial questions.