Five Big Financial Mistakes Older Singles Make

When you're single, you don't have to worry about caring for a partner if they become ill, but you do need to make sure there are very clear plans in place if you should become ill and are unable to make decisions for yourself, even temporarily. Older singles worry about being incapacitated with no one there to make decisions on their behalf - and they invest a lot of effort to ensure this doesn't happen. Many times their efforts are in vain.

Do you have specific plans for how your bills will be paid if you become incapacitated? Have you taken legal steps to ensure that all your plans are in place through a durable power of attorney? Have you elected someone to be given access to your finances, checking account or investments, just in case? Who have you designated - one of your children, a close friend, a grandchild? Have you taken action to ensure that the person you have named will act in your best interests?

The most costly, and painful, mistakes a single retiree can make:

1) **Adding a child (or other family member) to your savings account**. Many older singles like to maintain a large financial cushion in a savings account. They worry about being able to pay bills if they are away or incapacitated, so they maintain a large savings account and make a family member a co-owner on the account. Unfortunately this solution can have unintended consequences. One day a woman called me in a panic. She had placed a child whom she had complete confidence in on her account, so the child could pay the bills while she was in the hospital. While she was hospitalized, the child drained the entire bank account. Her injuries were more than physical as a result. Liability must also be considered when adding a family member to your account. If the co-owner on your account is involved in an accident and there is a lawsuit, the money in your account may be made available for damages. Depending on the amount you maintain in your bank account, there can also be the appearance of the account being "gifted" to the child or family member. In this instance, a gift tax return may be required. Finally, if you pass away and you have multiple heirs, can you be certain your co-owner will share? They are under no legal obligation to do so.

   There is a better solution. If you worry about being able to take care of your bills while away or incapacitated, give someone a durable power of attorney over your accounts. If you don't have a friend or family member who you trust implicitly to act in your best interests, consider a professional fiduciary whether a financial institution or an individual professional.

2) **Going to the expense of creating trusts and not assigning accounts to them**. Singles often go to the expense of completing all the estate documents to avoid probate and estate taxes, creating revocable, irrevocable, even charitable trusts. What they may not realize is that completing all the paperwork is only the first step in the process. These trusts do not avoid probate unless they are funded with assets. You may need to change the registration of your bank accounts, brokerage accounts, and other assets to fund your trust. You may also need to consider making

changes to your life insurance and retirement plan beneficiaries as part of a trust strategy. I have seen beautifully written documents that would have fulfilled all the wishes of the client and avoided probate only to find that the trust documents were unfunded as no assets had been attached to the trusts. As a result, the wishes of the grantor were not able to be executed seamlessly despite their efforts and good intentions.

3) **Putting your funeral wishes with your will documents.** Even celebrities and dignitaries make this mistake. FDR hand wrote detailed funeral wishes which were never carried out because he put them with his will. Why? Because wills are not typically located and read until after the funeral. This could leave your family feeling very guilty that your last wishes were not carried out. How can you ensure this doesn't happen? Complete a pre-burial arrangement plan that specifies exactly what you want. This document will take a great deal of stress and decision making off of your family when they are at their most vulnerable and allow them to honor your wishes. A pre-burial arrangement plan also prevents your family from paying too much for a service that you never wanted.

4) **Not naming a beneficiary on all your accounts.** Beneficiaries are not just for life insurance and retirement plans. Virtually all assets have a way to name a beneficiary and avoid probate whether the beneficiary is a trust or an individual. . Obtain competent advice as you establish each beneficiary designation and verify that your desired outcomes are reflected in the paperwork. Also, keeping copies of the beneficiary forms with your estate planning documents assists your heirs. I have seen many an executor spend an inordinate amount of time chasing these documents down.

5) **Not making charitable gifts with your IRA.** Now this option is only for people over 70 ½ that must take their required minimum distribution each year from their IRA. Many make their charitable gifts each year with a check and then reimburse themselves with their IRA money that they must withdraw. What most don't realize is if you give money directly from the IRA, it goes toward your required amount and it is not taxed! This can save your up to $.35 on the dollar of your IRA money.

Each of these mistakes are easily avoided. Please consult with a Certified Financial Planner™ professional to make sure that the strategy you have in place in the best one for you and your beneficiaries.

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