Rodger on Retirement

3 planning Mistakes That Can Haunt Your Family

The impact of financial decisions people make today can carry on even after they die, and not always in a good way. Failing to make the right decision – or failing to make a decision at all – can have repercussions for loved ones, whether it's because they aren't left with the money they need or they are left with more money than they know how to handle. It's especially important for those at or near retirement age to engage in an honest discussion with a trusted financial advisor to help them feel more confident. That word "trusted" is especially key. I advocate that people build a strong relationship with their financial advisor so that important decisions can be discussed frankly.

With that strong bond the advisor can lay out strategies to help clients avoid mistakes such as these:

Lack of adequate life insurance. Families may believe their finances are in order, but everything could come crashing down if a spouse whose income was counted on dies. In my book, "*Forging Bonds of Steel"*, I tell the story of Jack and Diane, a couple with twin daughters and a combined annual income of $115,000 who believed their life insurance was sufficient. Then their financial advisor ran numbers that showed how the family would struggle if Jack died. They increased their coverage.

That was a good thing because four years later Jack was killed in a traffic accident. The prudent life-insurance decision provided for the needs of Diane and the girls. If your advisor points out a problem with your planning, listen closely and determine if you feel the same after you have all the facts.

Failing to provide important information to adult children. Many older parents exclude their adult children from their financial lives. Perhaps the parents feel it is none of their kids' business. Or they do not wish them to know how much they have accumulated. I can understand and respect this.

Withholding important information might do more harm than good, though. If the parents die, those adult children would be thrust into the position of coordinating the financial affairs without any preparation. At the least, it would be prudent to share with them where important documents are kept and the names of your attorney, financial advisor and CPA.

Failing to set limits on irresponsible heirs. Sometimes sons and daughters who inherit a large amount of money don't know how to handle that sudden bulge in the bank account. They quickly and frivolously blow through what took their parents so long to acquire. Parents worried about that can work with a financial advisor and, ultimately, an attorney and estate planning professional to set up trusts and other tools to control how the money is spent.

This one is controversial, some people think setting restrictions is wise. Others take the view: When I'm gone, I'm gone and the kids can do what they please with their inheritance. You will make your own determination about how you feel and what's right for your situation. Above all, discuss it with your advisors and arrive at a well-thought-out decision that you are comfortable with.

Rodger Alan Friedman has over 3 decades of experience designing and managing retirement portfolios and advising clients on retirement matters. For additional information and a free special report on preparing for retirement, please visit my website: RodgeronRetirement.com

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