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RETIRING

A Retirement Puzzle: Turning Over Control of Your Money

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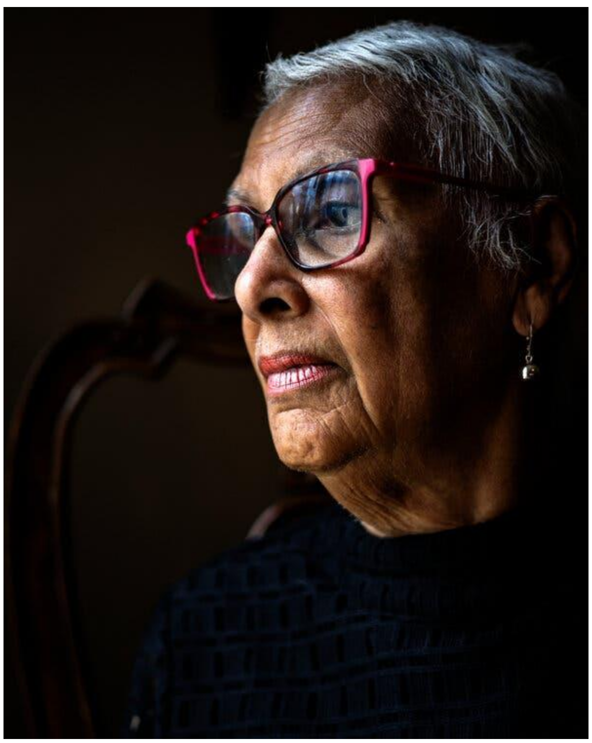
By Tammy LaGorce

It’s difficult to know when to get help managing finances. Communicating with loved ones, even when you don’t want to, is the first step.



Donna Purchase trusts her children to manage her money when the time comes. “When my daughters tell me they think it’s time for me to do something, I say, OK, maybe I should,” she said.

At a visit in 2021 with her primary care doctor, Donna Purchase hesitated before answering a routine question. Her daughter Deborah Smith, who was with her, raised her eyebrows. Her mother had been forgetful lately, she said, and Ms. Smith was concerned. Ms. Purchase, who is now 78, left with a referral for a memory test.

The results were normal. “I knew I was fine,” said Ms. Purchase, who lives in Washington. But had she not been — had the test indicated cognitive impairment — she was prepared to make changes, even hand over control of her money.

“When my daughters tell me they think it’s time for me to do something, I say, OK, maybe I should,” she said.

Figuring out exactly when and how to make that transition is one of the biggest decisions a retired person can face: It requires self-awareness and the willingness to allow others to make important choices for you — and having a person or people you trust to do that. The stakes are high if you choose the wrong time, or lack a loved one to step in.

Resolving to let her daughters take over one day relieves Ms. Purchase of a decision other retirees are struggling with, a new [study] published by the American Economic Association shows. “What we found is there’s a huge concern about timing when it comes to the transfer of control of money in retirement,” said one of the study’s authors, Minjoon Lee, an associate professor of economics at Carleton University.

The research, which involved a July 2020 survey of about 2,500 investors at Vanguard over age 55 (the average was 74), showed that many were not confident they would recognize the ideal time to allow someone, like an adult child, to take over. Most said they worried they would wait too long, for reasons like a lack of awareness of their slippage or a simple reluctance to give up control.

Even when they have established that they have cognitive problems, “very few people want to transfer control right away,” Dr. Lee said. Eighty-four percent of the survey respondents said they preferred to handle their own accounts until there were signs that they had declined further.

“The tricky part, of course, is figuring out when that will be,” Dr. Lee said.

Ms. Purchase reviewing some financial paperwork with Deborah Smith, one of her three daughters.

Ms. Purchase’s outlook is a product of her own financial literacy, she said. Before she retired in 2008, she spent 20 years working in financial education at Fannie Mae. Now, besides serving on the boards of four nonprofits, she’s a volunteer financial educator with [the Women’s Institute for a Secure Retirement].

She knows that at her age, even small financial missteps can spell trouble. A [2022 study](#) published on the Journal of the American Medical Association's network found that missing bill payments is often among the first signs of dementia.

Elliott Appel, a financial planner in Madison, Wis., and the founder of [Kindness Financial Planning](#), helps families, often caregivers, navigate shifting roles and responsibilities. "The people who come to me are either younger adults or older people who have decided it's nice to have a third party around who can be objective," he said.

His older clients tend to be open to introducing him to a person likely to be named the steward of their finances. "Some have missed bills, or they have no recollection of a conversation we had in the past, and they know it's easy for older people to be manipulated," he said. An introduction lets him know whom to reach out to in case of trouble.

His work with younger clients has familiarized him with a few worrisome but common situations. "People will say, 'Hey, I'm noticing this pattern in my parents that isn't necessarily normal,'" he said. For example, a client may discover that her father has been writing checks to his favorite charity for twice the normal amount or responding robustly to mail solicitations for donations.

"Then it becomes: First let's acknowledge that this is going to be a challenging conversation, because most people don't want to give up control of their money," Mr. Appel said. Once that hurdle is cleared, a talk about designating a trusted contact, or someone who will eventually take over, can take shape. In some cases, the trusted contact can start with a few tasks, then take on more responsibilities as time goes on, he said.

Designating a trusted contact, though, is not the same thing as granting power of attorney. Financial institutions reach out to trusted contacts — basically a point person you designate — for a handful of reasons, including suspected financial exploitation. But such a point person, Mr. Appel said, is not granted authority to help manage the account holder's money.

A person with power of attorney sometimes has that authority, but designating someone is a more formal process that involves legal steps. Naming someone a "durable financial power of attorney" enables that person to manage your money if you are incapacitated, Mr. Appel said.

In cases of severe cognitive decline and dementia, a trusted contact's path to gaining control can get knotty, which Mr. Appel learned firsthand. When his father, Darrel Appel, started showing signs of impairment several years ago, Mr. Appel was unable to wrest control of the accounts, even though his father had filed a document giving him power of attorney.

"You can have everything in place and still not have things go well," he said. In their case, Mr. Appel was able to pay his father's bills and contact his doctors. But correcting money missteps his father had already made was not as easy.

Naming a power of attorney is almost always a good idea, he said, "but it can't fully prevent financial mistakes, even if you have a son who is a financial planner."

His father's assets dwindled precipitously with the onset of his cognitive decline. Mr. Appel said his father had paid two months of a friend's rent when he could scarcely afford to and spent large amounts of cash. Mr. Appel was unable to stop the bleeding, even after he got a lawyer involved.

"I was told it was technically his account and I couldn't prevent access to it," he said.

What can you do if you don't have someone to turn to? Finding a professional fiduciary is an option. Fiduciaries are agents who are licensed and regulated by states to handle a variety of money management tasks and assist with financial decisions. To find one, he suggests asking your lawyer or financial planner for recommendations.

"Otherwise, you can do a local search and interview multiple firms to see who may be a good fit," he said. Fiduciaries may charge between $100 and $250 an hour, he said.

Mr. Appel also recommends these steps to pave the way for relinquishing control.

Start talking about it early. Explain the state of your finances, where accounts are, your sources of income, your debts and what bills are paid from which accounts. Disclosing this information before cognitive impairment surfaces gives a trusted person a wider window of opportunity to honor your wishes, he said.

Prepare important legal documents as soon as possible. These include a will or trust, a power of attorney for finances, a power of attorney for health care and an advanced directive.

Freeze your credit reports by contacting the three credit bureaus, Equifax, Experian and TransUnion. Freezing your credit makes it more difficult for people to take out loans or open credit cards in your name and lowers the risk of exploitation.

Involve people you trust, like a relative or a fiduciary, early on. Take a financial inventory; list your accounts and where the title to your home or car is. List your debts (such as credit cards and mortgages), and provide insurance policy information as well as the names of an estate planning attorney, financial planner and accountants.

Block solicitations, including commercial mail solicitations and robocalls. Silence phone calls from unknown numbers. You can stop commercial mail solicitations by signing up at dmachoice.org; the service costs $4 for 10 years. The site even has a "do not contact" list where caregivers can register a loved one's name. You can opt out of credit and insurance offers at [optoutprescreen.com](). And you can add your number to the [National Do Not Call Registry]().

Ms. Smith, of Waldorf, Md., intends to keep her mother’s wishes top of mind if she and her sisters ever decide that she needs help with her finances.

“I would handle everything pretty much the way she does now,” Ms. Smith said. “The goal is not to take over her life or take away her independence. The goal would be to help her maintain the lifestyle she’s always had.”