

# LIFOCUS

BANKING / FINANCE

## The parent trap

Potential minefields when mom or dad moves in

By BERNADETTE STARZEE

When an elderly parent comes to live with an adult child, the financial, estate and emotional ramifications can be overwhelming. If that child has siblings, it can set off fireworks.

First things first on the financial front is the question of rent. Should the parent pay rent, contribute to the household expenses or perhaps purchase a share in the home?

Experts give an emphatic "yes," since paying rent solves several immediate problems all at once. The child may need the money and renovations may be needed to make the home safe, accessible and comfortable for the parent. Further, utilities and food bills will be higher because of the parent's presence.

"The parent may also pay rent to compensate the child for care giving and/or to shift dollars into the child's name for Medicaid reasons," said Paul Hyl, a senior associate who heads up the estate planning department at the Melville law firm Genser Dubow Genser & Cona.

While Medicaid penalizes older adults for giving gifts, paying rent is not subject to such penalties. Older adults who seek long-term care will be penalized one month of coverage for every \$11,445 they gave away during a certain period of time. The Medicaid "look-back" period is generally five years, or two years for real estate when a parent lives with an adult child.

While paying rent makes financial sense for many reasons, it can open a can of worms when siblings are in the picture. "You have to determine if the rent will be treated as an advance on that child's inheritance," Hyl said. In cases where the parent is contributing to the household expenses or compensating for care giving, the funds typically are not considered part of the child's inheritance. But it's another story when the rent is being paid to get money out of mom or dad's name for Medicaid purposes.

An offshoot of rent is renovations – the family may

have to put up handrails and grab bars, or reconfigure the rooms to accommodate the elderly parent. Space is of bigger concern given the economy, with many adult grandchildren struggling to find jobs and move out on their own. If the parent pays for renovations, it's best for them to pay the contractor or purchase supplies from Home Depot directly, rather than give the child, say, \$20,000, to avoid questions from Medicaid, Hyl said.

And siblings are going to have questions, too. "When Mom dies, that child will have a larger house that's worth more," Hyl said. "The other kids are not getting a larger house, but on the flip side, they didn't have to put up with the parent."

Often, aging parents will get a joint bank account with the child they're living with. "It's usually done for convenience. In case mom or dad goes into the hospital, the child can pay their bills," Hyl said. But with a joint account, the money in the account would go to that child in the event of the parent's death. An alternative that few people know about is a "convenience" account, Hyl said. Unlike a joint account, the money goes back to his estate when the parent dies.

If a joint account is used, the care giving child may think he is entitled to keep the money because he changed dad's diapers and bathed him while the other siblings didn't do their share. "There may be resentment that he was there 24/7 and wasn't able to take vacations," said Roberto Viceconte, a senior manager in private client services for WeiserMazars, a Lake Success accounting firm.

Further, many baby boomers, with their kids just out of the nest, are looking to downsize but are forced to put plans on hold to accommodate mom or dad, said Fern Karhu, a senior housing counselor and a broker/owner of Realty Connect USA in Woodbury.

Parents may decide to leave the child they lived with a greater percentage of their estate. But this can lead to wars between siblings, especially if it comes as a surprise. "People who don't have a job and who get 10 per-

cent of the inheritance rather than the 25 percent they were counting on are more likely to sue because they need the money," Hyl said. "The siblings may think their sister or brother manipulated their parent into giving them more, and sometimes families fall apart."

Even families that say they would never fight over money can wind up at odds. Viceconte has seen it get ugly: "You might have spouses of siblings whispering in their ears, and it's not uncommon to see a full-blown war over not a lot of assets."

Problems can be avoided through open communication and getting it in writing, said Brian Tully, an attorney whose elder law practice is based in Huntington. Tully recommends the family sit down with elder care experts and discuss how a parent's move to a child's house will affect the inheritance of all the children, as well as immediate matters, such as how care will be provided.

"It's an emotional time for the older adults, because they're giving up control," Karhu said. "They may be uncomfortable in the kids' house with something as simple as opening the refrigerator and taking what they want, or there may be disputes over music or TV shows."

For the adult children, the presence of a parent often strains marriages. "A child may take it for granted that mom will move in after dad dies, but his spouse may not have signed up for that," said Viceconte, who emphasized the importance of detailing in writing who will take care of what. "Stay-at-home spouses may find they're expected to become elderly caregivers, which is tough, especially when it's not their parent."

Sometimes, when an older woman sells her home and moves in with her daughter, she's concerned she'll be subject to the son-in-law's rules, with nowhere to go if it doesn't work out, said Aaron Futterman, a partner at Futterman & Lanza in Smithtown. But if mom purchases a share in the child's home, she can't be kicked out. "If she doesn't get along with the son-in-law, and her daughter passes away, it's good to have that interest," Futterman said.

