

If you're terminal, financial issues come with emotional ones

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By PAMELA YIP / The Dallas Morning News

Some events trigger a sea change in our lives that require an all-encompassing examination of our personal finances. Those events include marriage, divorce, the birth of a child and death. Our own impending death, of course, is a crucial time for financial planning.

The more organized among us already have their wills and last wishes prepared for their loved ones. But for some, the day of reckoning comes sooner than expected, when they are diagnosed with a terminal illness.

Along with the emotional twists accompanying such devastating news comes the jarring reality that you have to know where you stand financially. Financial planners have plenty of advice to offer on the nuts and bolts of that process. But they also have some meaning-of-life advice.

"Come to grips with the news," advises Derrick Kinney, senior financial adviser at Ameriprise Financial Services in Arlington. "As soon as possible, begin to look on the positive side in that you now have a fixed amount of time to do what you would like to do in regard to your finances and your relationships to create your personal legacy." His clients who have gone down that path and adopted that approach "seem to experience a greater sense of peace," he says.

When estate planning is no longer theoretical

It's the news that no one wants to hear: You have a deadly disease. You can imagine how this will affect you and your family emotionally, but how about financially?

"A lot of it depends on their age and the family circumstance and what role that person has to play in the family, but it can accelerate issues and concerns regarding estate planning," says Brent Neiser of the National Endowment for Financial Education, which seeks to improve financial literacy among Americans. "The cost of medical care is still a consideration, and there's uncertainty with regard to employment."

Planning for a fatal illness can be broken down into three areas: Your liquidity, the legalities and your legacy.

The money

The first thing you should do is to take a financial inventory. But ask your spouse, parent or a friend to help you. "This has to be someone you really trust," Mr. Neiser says. "Take a financial inventory, getting a sense of the income that's flowing in, and of the expenses."

An important factor is how your illness will affect your ability to earn a living. For example, if you have cancer, will the debilitating effects of chemotherapy force you to leave your job and go on disability? Do you have enough disability insurance? "This could have an impact on income coming to a family," Mr. Neiser says. "The outflow of resources may increase, and it also may impact other people in the family leaving their employment or pairing up to partner in being mutually supportive."

Also, check on the disability coverage you have through your employer and your private policy, if you have one. It's important to know how your policy defines "disability."

An "own occupation" policy generally defines disability as the inability to perform the "usual and customary duties" of your own occupation. This is a liberal definition of disability because even if you can work in another occupation, you still receive disability benefits.

"Any occupation" coverage defines disability as the inability to perform the duties of any occupation. That definition of disability is strict. To receive benefits according to this definition, you have to be unable to work in any occupation, not just your own.

You also may apply for disability benefits from the Social Security Administration, but you've got to meet strict criteria. It has a fairly narrow definition of disability, Mr. Neiser says. For more information, contact the Social Security Administration toll-free at 1-800-772-1213 or check out the agency's Web site at www.ssa.gov.

Review your health insurance and determine how much of your care it will cover. Does your insurance cover catastrophic injuries or long-term illnesses? Does it have a prescription drug benefit and rehabilitation coverage?

Search for other sources of income.

"If you belong to a credit union or any associations, check to see if they have any sort of guaranteed life insurance for which you may be eligible," says **Deb Outlaw**, a certified financial planner at Perryman Financial Advisory in Dallas. "You may be able to get some minimal insurance to provide for your heirs without having to undergo medical underwriting."

Your best source of income may already be in your home. "Look at property or liquid stuff that you may need to sell because you need the money," Mr. Neiser says. "For something like this, cash is king. If you don't have a lot of liquid reserves, you've got to create some."

Finally, cut down on unnecessary spending. If you have lots of bills, notify your creditors and ask whether you can renegotiate payment terms.

Legalities

Review all your estate-planning documents, such as your will and powers of attorney. If you haven't drawn up those documents, do it now while you're able to think things through. "Put in writing your last wishes and make them known to your family," **Ms. Outlaw** says. "Whether you want to be buried or cremated, where and how you would like to be buried."

Make sure the executor of your will has a copy of the document. "Do they know where the will is and where the attorney who drew up the will is?" says Katie Dickinson, associate director of The Senior Source in Dallas, a seniors' organization.

Besides a will, you need:

- A living will, which spells out last wishes for medical treatment.

"Even if you want to be hooked up to everything forever, it's still a good thing to have a directive to physicians telling them that you want this," Ms. Dickinson says. "These days, you need to inform people."

- A power of attorney for financial affairs.
- A medical power of attorney that will designate a person to make treatment decisions on your behalf if you become incapacitated.
- Any burial instructions. "If you have a prepaid burial policy, make sure that whoever is going to be arranging your funeral knows that you have that, knows where it is and knows what it covers," Ms. Dickinson says.

Also, review your assets such as life insurance policies and bank and retirement accounts to ensure the proper beneficiaries are listed. Meet with your family and tell them whom you want to receive your valuables. "If you've got a very argumentative family and there are going to be problems, you need to put it in the will," Ms. Dickinson says.

Your legacy

Once you've got the financial and legal questions on their way to being solved, you can consider the cocktail-party question: What would you do if you had six months to live?

The advice of a trusted friend or relative is important here, too. One goal is for you to be remembered the way you want to be remembered.

"Consider having someone write out your life story or videotape you telling it along with words of wisdom you want to leave for children, grandkids," suggests Derrick Kinney, senior financial adviser at Ameriprise Financial Services in Arlington.

Finally, do things you've been wanting to do in life if you're able.

But exercise discretion. Your heirs are liable for your debts after your death, and you probably don't want to be remembered as someone who left behind enormous credit card bills for others to pay.

"If buying things makes you happy, if making trips makes you happy, it's probably OK to do that," Ms. Dickinson says. "It's your money to spend, and if you want to do something outrageous with it, go ahead and do it."

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