When roles reverse

A guide to supporting your parents through their later life.

Schroders personalwealth

Foreword

Our first breath; our first tears, our first steps.

Our first words, our first day at school, our first day at university.

Our first job, our first car, our first home.

Our first child.

Our parents have been there to celebrate the major milestones in our lives, and in the days, weeks, months and years in between they have supported us in innumerable silent ways.

But the sad fact is that aging can take its toll on us all. On our physical health and on our mental health.

So in the coming years your parents might need to rely on you to help get them through.

This guide is designed to help you understand and think about some of the major decisions that might have to be made in the future. Decisions that need the family to talk together, work together and pull together.

But, hopefully, ones that will be a long way off. The important thing to do is to discuss all these issues with your parents and to have meaningful conversations with them.

It is better to do this whilst they still have the ability to make decisions about their own futures, than to leave it until a crisis happens and you're left wondering and stressing about what to do for the best. Trying to imagine what our loved ones might have done in a given situation can be harder when we are under emotional stress and under pressure to make a decision.

We hope this guide will give you the tools you need to help support you, as you support your parents, when the need arises.

And remember that your own children may have to face the same issues as you age, so it is as important to have conversations on wealth and financial management with both sides of the intergenerational divide.

When… you need to talk to your parents about the basics

The first conversation to have with your parents can be the hardest: do they have a current will? Wills can be tricky things to discuss. There is a superstition that talking about death and preparing for it can hasten its happening. Maybe it's for this reason that only 30% of the population has one[1].

So it can be really important to find out whether your parents have prepared for what happens to their wealth when they are no longer with us.

If they don't have a will in place you might want to have a discussion about what could happen if they die intestate. The rules are very clear about how your estate is passed on if you haven't prepared a last will and testament. A will can be especially important for anyone who:

- owns a property
- is divorced and remarried.
- is separated but not divorced
- living with a partner but is not married to them
- isn't married and has no children but wants particular individuals or charities to benefit from their wealth

If their will hasn't been reviewed for some time, taking professional advice might help them make the most of the estate planning tools now available.

> You might want to consider talking to the family solicitor or financial adviser about preparing your own will. You could use leaving a copy with your parents for safe-keeping as an excuse to broach the subject.

Powers of attorney

At the same time you should also talk about what would happen if one of your parents were incapacitated for a period of time. Or if they developed dementia. How would they manage their finances if they were hospitalised or had to go into care? This can be really important if one of your parents has already died.

A lasting power of attorney (or "LPA") allows named individuals to act on your mum or dad's behalf. There are slightly different powers of attorney available depending on where your parent(s) live but they all follow the same general principle: your parents hand over control of their financial and/or welfare decisions to someone they trust. This is usually a family member but can be anyone.

As in so many aspects of our lives, prevention can be better than the cure. If they don't have an LPA prepared you and your siblings will have to submit a court order to have a deputy appointed on mum or dad's behalf. This process is far more involved, costly and time-consuming, and the court could appoint someone your parent's wouldn't have chosen themselves.

In the meantime, no one has an automatic right to deal with their finances or bank accounts, or to make decisions about their health and/or social care. Once your family gains deputyship there will also be strict limits on what you can do.

> It's just as important to ensure you are prepared in case you become unable to manage your own affairs. For example if you had a stroke, developed a debilitating illness or had a serious accident. Again, dropping off a copy of your power of attorney with your parents could be a good way to start the conversation.

Wills and powers of attorney are not regulated by the Financial Conduct Authority.

Schroders Personal Wealth does not provide will writing or powers of attorney, although your Personal Wealth Adviser can introduce you to specialists in these areas.

Pensions

This might be a strange thing to discuss with your parents but it might be worth making sure they have prepared sufficiently for their retirement. If they had an expectation that you would help them out financially it is better to face that earlier rather than wait to find this out when they really need your help. Tensions can run high during a crisis. If you talk now and find out they're off track, you might be able to help them make some changes while they're still able to turn things around. Either on your own or with the help of a financial adviser.

But if they are financially secure there could be another good reason for having this conversation. If your parents have a pension plan that hasn't been converted to an annuity, they can pass on any unused savings. If they die before the age of 75 it is tax free. If they die after the age of 75 any withdrawals will be taxed as income[2].

You need to talk about this because your pension is not part of your estate and is not covered by your will[3]. So even if mum and dad have wills they need to think about this separately. They will have to let their pension provider know who they want to receive the money after they die by completing an expression of wish form, also known as a nomination form.

As this falls outside their estate for inheritance tax purposes, it could be an opportunity for some estate planning. For example, and depending on their financial situation, they could nominate their grandchildren rather than their husband/wife/partner, or you and your siblings.

It's usually good practice for everyone to make sure their nominations are up to date. This can really matter if you started your pension saving many years ago or have several historical workplace pensions. If you're divorced, remarried, separated and have children you should try to make sure your pension savings go to those you really want to benefit.

> You might want to check in with a financial adviser to make sure your own plans are on track to delivering the financial future you're hoping for. Mentioning you've had a financial wealth check to your parents might be a good prompt to help them open up about their own preparations.

Pensions are a long-term investment. The retirement benefits you receive from your pension plan depend on a number of factors including the value of your plan when you decide to take your benefits, which isn't guaranteed, and can go down as well as up. The benefits of your plan could fall below the amount(s) paid in.

[1] National will statistics, **www.wills.org**, 26 June 2019

[2] **www.pensionwise.gov.uk/en/when-you-die**, accessed on 5 February 2021

[3] **www.unbiased.co.uk/life/pensions-retirement/pensions-and-inheritance**, 3 December 2020

When... the family home becomes too much

One of the problems with aging is the decline in one's physical health and the ability to do all those jobs around the house. But you may not be local enough to help your parents out. Or know of a tradesperson near them who would be willing to take on minor jobs.

So it can make sense for them to consider moving into a smaller, newer property that requires less regular upkeep, and is more energy efficient so cheaper to run. It could also free up some of the equity in the house to make their later years more comfortable or to pay for carers if the need ever arose. They could even give some of it to the next generation to help with university fees or to get on the property ladder.

This can be another touchy subject to broach. Your parents may have invested a lot of time, energy and love in their home and its garden, and it could hold many loving memories. They've probably got it "just the way they like it" and may not be too keen to "start all over again".

They may have an expectation that the family home will be passed through the family to keep the memories alive. But that could be impractical – even impossible – if it means having to uproot your family, having to spend money on maintenance or one of you having to buy out your siblings' interest in the property.

If you'd feel more comfortable with them moving closer to you that could mean them losing their local support and social network. So think about their social welfare: a nearby retirement village might be better suited to them than a smaller home on a family-oriented housing estate.

> If a relative has recently moved house, or a neighbouring property comes on the market, you could casually ask the question: "have you thought about what you'd do if the house became too much for you?" Having an open and easy-going conversation when your parents are still able to make a decision – or even mull the question over – can be a great way of preparing for more difficult questions or decisions later on.

Moving can be one of life's most stressful events and the psychological upheaval of downsizing a lifetime's worth of possessions shouldn't be underestimated, although it can also be an opportunity to pass on treasured family possessions.

They might be silently hoping that you would offer to take them in. Especially if you live close by and they can maintain their circle of friends. It would be good to know if that's likely to be the case so you can plan how that might work as a family. After all, this could also affect your children's lives not just those of you, your partner and your parents.

If they had hoped for you to all live together, it could mean everyone moving to a larger property or adapting your own home to provide a "granny annexe" that gives your parents a degree of independence. And some of the proceeds of the sale could be invested to help the grandchildren's financial futures. Investing early means they could gain from the potential benefits of compound returns. This in turn can help the family have conversations around saving, investing and planning for the future.

> Your parents may be worried they'll need the money to pay for care in the future but some types of trust can allow them to access the capital whilst giving up the growth or income it generates. If the trust is set up more than seven years before they die, any money left over can pass to the beneficiaries named in the trust free of inheritance tax. Speaking to a financial adviser could help you find a solution that benefits the whole family.

Tax treatment depends on the individual circumstances of each client and may be subject to change in future.

The value of investments in a trust and the income from them can fall as well as rise and are not guaranteed. The investor might not get back their initial investment.

Schroders Personal Wealth does not provide managed trust services directly although we can advise on placing funds in trust as a planning solution. If a client requires a managed trust, we can refer you to Lloyds Bank Private Banking Professional Trustee Service who provide managed trust solutions.

When... you need to care for your parents

Watching as our parents begin to struggle with the effects of old age can be devastating, and many of us help out as best we can by offering informal care in the home: cooking meals, shopping for groceries, and general housekeeping. It is estimated that 2.6 million adults are caring for their parents, 2 million of them aged between 50 and 64[1].

Your parent's changing needs

The health and safety of an elderly parent should be at the forefront of everyone's concerns and any changes could be a trigger for starting a conversation around the need for formalised care. Mobility issues, frequent trips or falls, failing sight or an increase in your parent's medication can all be signals that they might need more support. Either from you or from someone else. Conditions such as dementia, Alzheimer's, and Parkinson's are all degenerative, and things will worsen over time.

Your changing role as carer

You also need to consider that your life has its own momentum and there may be changes in your situation that make it harder for you to offer the level of care you'd like. These can be career-driven, family-driven, physical or emotional.

If mum or dad suffers increased mobility issues, you might need to lift or carry them, which can increase the risks to you as well as to them. You might be embarrassed to help them perform basic personal care tasks like bathing or using the toilet. And as your parent's needs become greater, you might have to devote more time to looking after them; time which might significantly affect both your work and your family life.

> There's no reason to feel ashamed or afraid to admit you can no longer look after mum or dad on your own. Even when the whole family is involved. Sometimes we just can't provide the level of care required. It's important for you to recognise this, and to consider how you can help your parent live safely and happily.

Staying safe in their own home

This doesn't automatically mean having to move them to a care home, either residential or nursing. There are a number of ways you can improve how your parents are helped and supported without having to increase their reliance on you.

As a first step, home adaptations can really help them live independently. Things like stairlifts, walking frames, grab rails, riser-recliners, adjustable beds and hoists can all help with mobility issues. Replacing a bath with a walk-in shower and seat can help with personal care, and you can get toilet pans that have a higher base. "Meals on wheels" services can deliver hot meals every day and provide a reassuring daily check-in service.

As a second step, community care can provide flexible support around what you can and can't manage as a family. Depending on the provider this can include personal care, housekeeping, cooking, minor nursing tasks, and companionship. See what's offered by your parent's local authority, age-related charities, and independent providers. The Elderly Accommodation Counsel is a charity that helps people to make informed choices about their housing and care needs. It has a housing and care database of more than 40,000 providers which you can find at www.eac.org.uk.

A half-way home

Retirement apartments and sheltered accommodation can act as a stepping stone between remaining in the community and moving into a care home. Your parents will be with people of similar age and experiences, which could help prevent isolation and the mental health problems this can bring. According to a House of Commons report[2] the right kind of senior housing could allow your parents to live independently and without care for longer.

Your parents will own or rent their apartment (or bungalow) and will be encouraged to live independently, but with warden support and medical staff on call in case of emergencies. Plus all the maintenance and landscaping are taken care of. But there will be a cost for providing these services which is likely to be higher than the ground rent and maintenance charge you would expect to pay for other leasehold properties. And your parents will still have to pay for their utilities. But like downsizing it can also release a lump sum from the sale of their home to pay for these costs.

> At some point you might recognise these systems aren't meeting your parent's care needs. If their condition cannot be adequately managed in the community, a residential or care home can be the safest and most suitable option.

[1] Facts about carers policy briefing, Carers UK, August 2019

[2] Housing for older people, second Report of Session 2017–19, House of Commons Library, 5 February 2018

When... your parents need to go into care

This isn't a foregone conclusion for everyone. It is estimated that about 15% of the over 85s live in care homes, and about 4.5% of those over 65[1]. As a percentage of their peer groups the numbers have been pretty constant since 2011, but rising longevities mean the number of people likely to need care is expected to rise in the coming years.

Even if your parents never need to go into residential care, it could be a good idea to have a conversation about their feelings on the topic. So the next time they have that fall or trip, or need to go into hospital or even when you take round their shopping, take a moment to ask them if they're managing OK on their own and ask them if they've ever thought about residential care. If an elderly relative or one of their own parents lived in care ask them about their experiences when the decision had to be made. This could give you some pointers about the kind of home they might find "acceptable".

When will you know it's time?

It can be hard to know when the time is right for someone to move into a care home. If your parents have dementia, by the time your parent needs this level of care, they are likely to have lost the ability to make this decision for themselves. If you have a health and welfare lasting power of attorney, or a deputyship order, you can make this decision for them if you feel it is in their best interests. But that doesn't necessarily make it any easier. If you're struggling with the pros and cons, don't worry, it's normal to feel confused or unsure.

In the absence of legal authorisation, the decision is usually made following a joint assessment by a social worker and a healthcare professional. They will make a recommendation based on your parent's ability to live independently, and whether they can make decisions for themselves. Equally importantly to their quality of life is their level of social interaction. But above all, can they stay safe in their home?

If your parent has been living in sheltered accommodation or assisted living, the manager or warden might suggest it when the time is right.

How do I find the right care home for mum or dad?

Choosing the right care home can be daunting. You should be able to get a list of local care homes from Social Services. The Elderly Accommodation Counsel database could help here, too. Age UK provides some great advice on what to look for when considering a care home with a detailed guide and a check list of things to think about when short listing and viewing care homes. Another good resource is the Care Quality Commission which oversees and reports on care home standards in England. In Wales and Scotland it is the respective Care Inspectorate. In Northern Ireland it is the Regulation and Quality Improvement Authority You can also check out user reviews on the NHS website.

Try before you buy

Respite care can offer your mum or dad a chance to experience a care home for a temporary period. Some care homes offer short breaks as a way of advertising their facilities to people who are likely to move in permanently when they are ready. But respite can be difficult to find even when a home offers it, because it is dependent on the home having a room available at the time you need it.

If you have a family holiday booked, position respite care as your parent having a holiday of their own. When you return, ask them how their stay went, what they liked and what they didn't like. These insights could be invaluable when you come to choose a permanent care home.

Some care homes also offer day care. Your parent is collected from home and is looked after for the day including food, drink and activities. They are then safely delivered back home again. This can also be a good way of introducing the care home environment. If the home also offers respite stays so much the better as your mum or dad will be in familiar surroundings.

Be prepared for resistance

If it's difficult for you, think how it might feel for someone who is already confused. Emotional issues and anxieties are bound to arise on both sides, along with a level of stress you might not have expected.

Resistance can come from sadness over leaving a cherished home and it's memories, denial of the ageing process, dread of loneliness, and fear of losing independence. This might be expressed as anger and resentment: "Why are you doing this to me?", "You just want to get me out of the way!". Your parent might also become manipulative: "You promised your father/mother/me you'd always take care of me."

It is important to understand that much of this is directed at the situation, not you. Try to avoid getting involved in no-win arguments. What your parent needs now is reassurance they are loved; this can be something as simple as a hug.

You are likely to feel a great sense of guilt without these accusations. Remind yourself that you are acting in the interests of all concerned especially if you have tried in-home care and it hasn't worked out.

It can also raise feelings connected to past issues. Not all of us have had great relationships with our parents and if yours has been a difficult one, you could be feeling remorse that your relationship never became what you hoped it would be. You could also resent being responsible for a parent who didn't nurture you.

[1] Care homes: Where are we now? Grant Thornton, August 2018

The costs of a care home should not be underestimated

The costs involved can be daunting. The average cost of residential care in the UK is currently estimated at £33,000 a year but ranges from between £27,000 to more than £40,000 depending on where you live. If mum or dad require nursing care, for example if they have Alzheimer's or dementia, you can add a further £10,000 to £20,000 to that[2].

Before it comes to needing full-time care, your parents might decide to remain in their own homes, aided by carers who come in to take care of the household tasks and duties, such as cooking, cleaning and the laundry.

The cost of this has been estimated to be around £21 per hour[3]. Employing a carer for 14 hours a week would cost around £15,000 a year. Round the clock care could cost £65,000 a year rising to £83,000 if your parents have complex needs.

But pause to think about how much you would pay to stay in a full-board hotel with daily entertainment or activities. Where all your laundry and personal care is done for you. And then add the cost of providing 24-hour nursing care. However you look at it, these are significant sums for your parents to find from their income or their savings.

Won't the local authority or the NHS help out?

The answer to that depends on three things: your parent's needs, where they live, and their income and capital (including their house).

If your mum or dad needs continual medical help, have specific nursing requirements or have a terminal illness, the NHS will cover the cost of care. A medical assessment will determine if this is the case.

If NHS support is not available, then the local authority might be able to help with their residential costs. The guidelines are different across the home nations but these are the tests for the financial year 2020/21:

England and Northern Ireland	Wales	Scotland
Savings of more than £23,250 Your parents pay all fees.	**Savings of more than £50,000** Your parents pay all fees.	**Savings of more than £28,500** Your parents pay all fees.
Between £14,250 and £23,250 Your parents contribute £1 a month for every £250 savings over £14,250.	**Savings less than £50,000** Your parents receive maximum support available.	**Between £18,000 and £28,500** Your parents contribute £1 a month for every £250 savings over £14,250.
Savings less than £14,250 Your parents receive maximum support available.		**Savings less than £18.000** Your parents receive maximum support available.

Source: Local authority funding for a care home, 20 November 2020, Which?

Even if your parent qualifies for full local authority funding, they will still have to contribute from their pension although £23.50 a week of this is protected. This allows them to pay for personal items (like toiletries), haircuts, and other treats.

But local authorities have a budget for how much they are prepared to pay per week for residential care. This is not a standardised amount and it can vary from local authority to local authority. If this, plus your parent's income, is insufficient to meet the home's costs, the family might have to make up the difference or you might have to consider moving mum or dad to a less expensive home.

[2] Care Home Costs & Care Home Fees in the UK, UK Care Guide, 1 February 2021
[3] Care home or home care? Money Advice Service, correct as at 5 February 2021

Talk to a financial adviser about a long-term care plan. This is a specific kind of annuity. In return for a lump-sum amount, the insurer makes monthly payments direct to the care home rather than to your parent. This makes them free of income tax so they could be a tax efficient way to top up care home fees if your parent's income isn't enough. If your parent's condition means the NHS meets the cost of care, then the annuity switches to paying an income to your parent and then becomes taxable as any other form of income. As with any annuity contract, the total payments you receive might be less than the amount paid if your parent dies sooner than expected.

What if both parents need to go into care?

Very often one parent will have been the main carer for the other, despite the fact their own health has been deteriorating. When both finally have to go into full time care, it's easy to make the mistake of taking away all responsibility and control, however well intentioned. Being a carer may have become part of their identity so rather than lifting the burden from their shoulders, you risk stripping them of their sense of purpose and value. So identify things they could still do for their spouse, however small, and talk to the care staff to help them understand why this is important to maintain. Even if it's just grooming or helping the other one to get dressed or ready for bed.

Remember the rules around savings and investments limits? Don't be tempted to amalgamate your parents' assets into a single account to make administration easier. If your dad has more savings than your mum, by keeping their asset separate you can more easily see when your mum is about to reach the threshold for local authority assistance. By paying from a joint pot your father's money might be subsidising your mother's care needlessly.

When... you need to deal with your parent's estate

It is a sad fact that no one lives forever and you will one day have to cope with the loss of your parents. This can be a very emotional and traumatic time and you might find it hard to carry the burden. Ask about our Guide to when someone dies which has been designed to help you through the process of registering a death and organising a funeral.

The first step is to find a copy of mum or dad's will. Hopefully, you will have had the "will talk" with them and they might have given you a copy for safekeeping. The first thing to do is find out who they have listed as executor. This is the person they have nominated to handle their affairs for them, and who will carry out their wishes as detailed within the body of the will itself.

You may have been named as the executor – either acting alone or jointly with your siblings – or your parent may have entrusted that task to a family friend or solicitor. If the executor named in the will predeceased your parent then one or more beneficiaries (i.e. you and your siblings) can apply to the Court of Probate to act as administrator(s). This is called a 'Grant of letters of administration' or grant of letters for short.

If I'm the executor, what do I need to do?

Your duties as an executor generally fall into three main roles.

- Your legal responsibilities: You must apply for a Grant of Probate which confirms your legal authority to act on behalf of your parent's estate. You must also identify and deal with any claims against the estate including any outstanding bills.
- Your tax responsibilities: You must complete and submit an Inheritance Tax return and pay any tax owed. You must also complete a self assessment tax form on behalf of your deceased parent and pay any outstanding taxes due.
- Your administrative duties: You must notify everyone that your parent has died. This includes the Department of Work and Pensions if they were retired or receiving other state benefits; their banks, insurers, credit card companies, and other financial services providers; their financial adviser if they had one; the local authority, DVLA , and utilities (if appropriate). You are also responsible for cashing in all their savings and investments, paying off any debts, and distributing the balance of the estate.

If the will establishes any trusts, you will also be responsible for administering these, too, for as long as they exist.

Depending on your parent's estate, being their executor can be complicated, difficult and time-consuming. It is important that you get everything right as you are legally responsible for making sure your parent's wishes and all legal responsibilities are fulfilled. It might be a good idea to start a journal. Keeping notes and records of all conversations, bills and valuations can help you organise your thoughts at a time when you are likely to be recovering from the impact of your parent's death.

If you find yourself feeling overwhelmed by the process, you can appoint a solicitor to do some or all of the work for you. There will be a charge for this but it can be deducted from the value of the estate for IHT purposes as a legal expense.

I'm relatively comfortable, can my children inherit instead of me?

The short answer is: yes. Increasing longevities mean more of us are inheriting money later in life when we are relatively comfortable financially. A deed of variation, also called a family arrangement, is a means of amending your parent's will to forego your share of the inheritance in favour of your children. For example, it might have been written when there was only one grandchild (who was provided for) but there is now a second or third grandchild who are not included in the will.

At the same time tax regimes are constantly changing and if your parent's will was written some time ago it might not be as tax efficient as if it were written today. For example, you might want to set up a trust, perhaps, or to gift some of your parent's wealth to a charity as this has the potential to reduce the IHT bill on the rest of the estate.

A deed of variation allows you to redirect your entitlement to someone else. But only your entitlement. It must be made within two years of your parent's death and could be as simple as a letter clearly identifying the part of the estate being varied, and who is to benefit instead. It must include a prescribed statement, that the beneficiaries intend the variation to be effective for IHT and/or Capital Gains Tax (CGT) purposes and it needs to be signed by everyone who will 'lose out' from the arrangement. But it is probably safest to consult a solicitor about drawing up something formal.

Speaking to a financial adviser could help you manage your parent's estate in a way that both respects and honours their wishes, whilst aiming to make sure their wealth benefits the whole family in a more tax efficient way.

Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

End word

Having read this guide, we hope you feel more confident and comfortable having conversations with your family about your respective financial situations.

As a final thought, we've put together a quick checklist of the kinds of things you might want to find out.

- [ ] Do your parents have a will and a power of attorney?
- [ ] Do you know where they keep copies of them if you needed to find them?
- [ ] Do you know which solicitors drew them up if you needed to retrieve the originals?
- [ ] Do you know how your parents would feel if they ever had to think about selling the family home?
- [ ] Do you know your parents' opinions on receiving outside help, such as community care?
- [ ] Do you know your parents' opinions about going into a care home?

And don't forget to have these conversations with your own children. It could help to think about your parents' position. You might not have to think about selling your family home in the near future – or even for many years – but how would it make you feel? What would you hope to happen?

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