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Next Issue: Defamed! What Can I do

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HELPING YOUR PARENTS IN THEIR RETIREMENT—WHAT ARE THE RISKS?

It is a relatively frequent occurrence in any legal practice that a client advises they would like to assist their parents in their retirement to improve their quality of life. Primarily such a request takes the nature of providing financial assistance whether it be providing additional security to enable them to purchase a new home or improvements or financial assistance on a weekly basis to supplement their pension or a combination of these.

There is no problem with this but it is important the entire arrangement between family members is recorded satisfactorily to ensure there are no misunderstandings later.

To illustrate this I had to deal with a family who had three children. One resided in the United States and two in New Zealand. The parents had provided \$50,000.00 assistance to their daughter some years earlier when she was buying a home.

Once they reached retirement they were having trouble making ends meet on a weekly basis and their son who resided in New Zealand agreed to provide them with \$250.00 per month to supplement their pension on the basis that he would be reimbursed out of their estate when they died.

The father subsequently died and after his death the mother was admitted into full time residential care and had to sell her home to help pay for her care. When she died she had \$175,000.00 left in the Bank.

The son who resided in the United States was simply expecting to receive his one third share under the Will as was the daughter with the New Zealand based son expecting nearly \$50,000.00 reimbursement for the \$250.00 per month he had provided to his parents for nearly 15 years. None of it was recorded in writing. It was subsequently revealed that the daughter had received \$50,000.00 assistance without the brothers knowing and this created a further issue as to whether that was an advance on her inheritance or not.

All three children ended up going to separate lawyers to obtain advice as they could not reach agreement.

Proceedings were filed in Court which ultimately settled but not after a considerable sum had been spent on legal costs.

In addition the three siblings relationship was damaged irreparably.

All of this could have been avoided had the parents entered into formal agreements at the time of the arrangements were entered into with their children.

If you are contemplating providing any type of assistance to your parents in their retirement (or at any other time) we would strongly advise you to consider formalising it in an agreement so there is no misunderstandings or conflict later on.