What to Do When Cancer Changes Your Financial Plans

Estate Planning in 12 Steps

Jointly presented by 360 Degrees of Financial Literacy, AICPA Personal Financial Planning Division, and the American Cancer Society
Today’s Speakers

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Introduction
Planning is Difficult, But Important

• A cancer diagnosis alters health and life itself.

• For survivors a fear of recurrence can be immobilizing, for others survival is all that may be sought.

• Cancer impacts not just the patient but the entire family and other loved ones.

• Financial security may be affected dramatically, or even destroyed.

• Recognizing these incredible challenges, this program will endeavor to educate both the cancer patient and family/loved ones on steps that can be taken to preserve or gain control over the aspects of life subsumed under the moniker “estate planning.” This work is important to address, but in no way intended to minimize the many much greater challenges.
What are estate and financial planning?

• The process of providing peace of mind for you and your loved ones (however you define the term).

• It should address both the issues you may face while you’re alive, before and after retirement, and those that might occur after your death, and even during the later lives of your loved ones.

• It is an integrated plan that coordinates your investments, insurance, emergency and disability planning, retirement and other needs.

• Define what “estate planning” means to you.
What is different about estate and financial planning if you or a loved one are dealing with Cancer?

• Similar to the process as planning for everyone, but tailored to fit your circumstances – your experience with your cancer.

• It may require addressing difficult issues, or even impossible issues, but addressing them to the extent feasible, will keep you in more control and assure a better result.

• You need an integrated plan that coordinates your investments, insurance, emergency and disability planning, retirement and other needs, and legal documents, with each component modified as required.

• “Cancer” covers a very wide spectrum, so what is appropriate for your circumstances must be the focus. We’ll give you ideas that recognize that different diagnoses require different planning.

• Define what “estate planning” means to you in light of your, or your loved ones, living with the challenges of cancer.
The 12 Steps
Introduction to the 12 Steps

• Every person is unique – it has to be your plan and address your challenges.

• Reflect your personal wishes and circumstances.

• Create a strong foundation of documents, steps and a plan, to build upon.
12 Steps

• It’s a **process**, not signing a document.

• Begin the process.

• Break the process into manageable steps, each tailored to **your** circumstances and **your** time frame. Your time frame may be dictated by your disease course. If you’ve been diagnosed with acute Leukemia and have a short time span you need to accelerate the process in terms of both calendar time and the imposition on your energy and abilities.

• Stick with it.

• Do as many steps at a time as you can handle properly and comfortably – staying committed to the process is more important than how many steps you tackle at once.

• **Make an Action Plan – We’ll show you how … Step by Step.**
Before you Begin

• Gather information.

• Select advisors:
  – Attorney.
  – CPA.
  – Investment advisor or financial planner.
  – Insurance consultant.

  – If you cannot afford or don’t need a particular expert consider creative “work-arounds.” We’ll give you suggestions that recognize that different levels of wealth require different levels of help.

• Start thinking about the process.
Action Steps: 12 Steps Begin by Informing Your Advisors

• Your cancer affects every aspect of estate, financial and related planning – don’t use “standard” documents or planning steps without careful consideration of how they relate to your circumstances.

• You must explain your circumstances to all of your advisors or they will not be able to guide you or meet your needs and expectations.

• Those not touched by similar challenges often do not understand the symptoms, disease course, variability between diseases/conditions, and among those affected.

• You have to be proactive – Informed advisors mean a better plan and more peace of mind for you.
Your Advisors Need to Understand:
Cancer Challenges are Common

• 1 in 2 men will develop cancer in their lifetime and 1 in 4 men will die from cancer.

• 1 in 3 women will develop cancer in their lifetime and 1 in 5 women will die from cancer.

• Around 1.7M new cancer cases will be diagnosed in 2017.

• Around 600,920 Americans are expected to die from cancer in 2017. That translates to 1,650 people per day.

• Still, we’ve seen a 23% decline in cancer death rates since 1991.

• There are more than 15.5 Million survivors alive today.

• Nearly half (46%) of all cancer survivors are 70 years or older.
Your Advisors Need to Understand: Cancer Challenges are Common

- 10 Most Common Cancers Diagnosed each Year:
- Non-melanoma skin cancer. 5.4 million new diagnosed cancers every year in 3.3 million people
- Lung cancer. 220,000 people. Two primary types: small cell and non-small cell. Lung cancer claims nearly 155,870 lives annually.
- Prostate cancer. 161,360 people. The most common cancer in men, most over age 50.
- Colorectal cancer. 135,000 people.
- Bladder cancer. 79,030 people.
- Melanoma. 87,110 invasive; 74,680 non-invasive (in situ) people.
- Non-Hodgkin lymphoma. 72,240 people.
- Kidney cancer. 63,990 people. Mainly people over 40, but one type of kidney tumor usually affects young children.
- Leukemia. 62,130 people. It affects both adults and children, and kills more children under age 20 than any other cancer.
Example: What to Explain if you have a Cancer Diagnosis

• What cancer diagnosis do you have? What stage? Is it advanced? Is it localized?

• Your advisors must understand the time frame so they know how urgent planning might be, or whether there is sufficient time to plan with less pressure.

• What is your prognosis? What is the anticipated disease course and treatment? This can be difficult as some patients do not assimilate information from their physicians or are uncomfortable. This information, even if difficult, can be essential for your advisers to help.

• What are the likely consequences of the treatments? What are side affects? Will it impact your ability to function?

• What is the anticipated financial costs of the treatment course? What insurance coverage do you have and how much of the costs might it cover or not? Some treatments are so costly that the phrase “financial toxicity” has been used to describe the consequences. Have you discussed costs of care with your medical professionals?

• Having tough conversations with your financial and legal advisers may be essential to your getting the help you need.
Example: Be Flexible. Circumstances Change

• For most of those with prostate cancer or breast cancer survival for many years after diagnosis is likely. So financial planning for the long term may be critical.

• Those with pancreatic cancer may only survive as short less than a year after diagnosis, so financial planning on an urgent basis is critical. Planning must address your individual realities, not generalizations.

• Be flexible, someone with metastatic melanoma might nonetheless do well and survive for years so you have to plan with flexibility.

• Sometimes bad situations turn out better than anticipated.

• Sometimes situations that do not seem as bad, turn out worse than anticipated.
If Your Loved One Can No Longer Sign Legal Documents

• If cancer has progressed, or the side effects of treatment are so impactful (e.g., pain control impacts decision processes) to the point where your loved one no longer has legal ability (capacity) to sign documents review existing documents with an attorney.

• You might be able to use an existing power of attorney to change ownership (title) to assets, make gifts and take other actions to improve or correct existing planning.

• Discuss the pros/cons of a guardianship and whether it is necessary or advisable.
Step #1: Organize
Step 1: Organize Emergency, Financial, Information and Advisors Information

- Passwords and Security Codes.
- Existing estate planning documents.
- Legal documents (contracts).
- Income and expense info.
- Any budget or financial plan.
- Advisor contact info (name, firm
- Phone number, email, etc.).

This is the planning you should undertake to make it easier for you to deal with legal issues and finances as you go through treatment and/or as your condition progresses.
Step 1: Organize Emergency, Financial, Information and Advisors Information

- Medical information (oncologist and other physician contact info; current health status, etc.).
- Emergency contact info (names, relationships, phone numbers, email addresses).
- Specific financial information (account numbers, contact person, address, phone number).
Investment and Financial Information is Critical to Organize

• Example: If it is difficult to travel to banks, etc. organizing, consolidating and automating can minimize or even eliminate the need to do so.

• Title (ownership) of Accounts:
  – Revocable trust – tool to manage assets, address cognitive and fatigue issues.
  – Joint accounts – exercise caution.

• Account Management
  – Consolidation and simplification – retain control longer.
  – Duplicate statements – no cost protective tool.
  – Access to safe deposit box.

• Automation
  – Organizing records.
  – On line payments – this can relieve you of a lot of paperwork.
  – Set up on computer so can enlarge visually/auto-read – if necessary.
  – Automatic deposits – reduce paperwork and chance for error.
Financial Planning is Essential

• Budget:
  – Core of your financial plan.
  – Foundation of insurance decisions.
  – Prerequisite to gift and other planning.
  – Will you qualify for disability insurance or Social Security payments?

• Investment allocation:
  – Time horizon (disease course).
  – Risk level.
  – Coordination of all accounts.

• Analogies to help you plan:
  – Rocket ship – if you’re off 1” now you could miss by 100s of miles.
  – Sailboat – can’t sail into the wind – tack back and forth – adjust every year. Flexibility is key with the financial uncertainties cancer may bring.
  – 60 Second financial plan – can you live on 4% x your savings plus other cash flow sources.
**Action Steps #1: Emergency Info**

- Type up a list on your computer so you can update it, email it, and back it up. Better yet, use auto backup.

- Disseminate the list to key people, ask for their help, and tell them what they might need to do to help and when.

- Each professional advisor should have the list in their file.

- Organize the list by category (e.g., banking, religious advisor, professional advisors, family, neighbors).

- List info needed for emergency action (e.g., account number, policy number, etc.).
Action Steps #1: Financial Plan

• Prepare a budget that reflects your health course and insurance coverage.

• Consider significant expenditures that might be required, e.g. making your home more accessible.

• Review your investments.

• Create a financial plan.

• Implement changes suggested by the plan.

• Update, review and revise. Planning must be flexible because circumstances change.
Step #2: Power of Attorney
Step 2: Designate a Person to Handle Financial and Legal Issues

- General vs. Limited.
- Agent (Successors).
- Compensation.
- Begin date (Trigger).
- Powers (Authority).
- Durable (Disability).
Step 2: Tailoring Your Power to Address Multiple Sclerosis

Power of Attorney

• Your cancer challenges, especially possible cognitive issues, affect when effective and scope of powers granted your agent.

• Consider naming co-agents to build in safeguards and to share work.

• Plan for, and organize finances to, facilitate management during a short term hospitalization.

• Consider special provisions – example, don’t sell my home, modify my home to make it accessible even if the cost won’t be recoverable when the home is sold, etc.
Action Steps #2: Power of Attorney

• Choose a trusted agent and several successors.
• Hire a lawyer to draft powers tailored to your disease course and financial situation.
• Discuss modifications to standard forms:
  – Limited power for short term hospitalizations and broad power for permanent disability.
  – Compensation to agent.
  – Definition of disability – how/when begins/ends (e.g., exacerbation).
• Sign several originals, distribute them to the appropriate people and instruct them as to what to do in an emergency.
• Organize and simplify assets so an agent can act easily.
• Create a monitor relationship.
Step #3: Health Proxy
Step 3: Designate a Person to Make Health Care Decisions

• Agent (successors).

• Powers (medical decisions).

• Signature (State law).

• Move (state; facility).

• Religious Concerns.
Step 3: Tailoring Your Health Proxy and HIPAA Release to Address your cancer

• Does your agent have sufficient knowledge of your cancer health challenges and the decisions that might be required.

• Is your agent geographically close enough to respond to a sudden emergency.

• Do your medical wishes contradict religious beliefs of your agent or family that you need to address (e.g. donation of organs for cancer research).

• Are there specific powers or rights which you do/don’t want your agent to have.
**Action Steps #3: Health Care Proxy**

- Choose an agent and several successors who understand your health situation and wishes.

- Hire a lawyer to draft a health proxy that accomplishes your personal goals. If you cannot afford an attorney use on line forms or forms provided by various organizations.

- Determine specific powers to give/not give agent.

- Sign several originals, distribute them, be sure a copy is included in your medical chart.

- Discuss your decisions with family, friends and most importantly, your agents.
Step #4: Living Will
Step 4: Communicating Your Health Care Wishes

- Statement of health care wishes to guide/direct your health care

- Address broad array of decisions:
  - Lifestyle (nursing facility or home).
  - Health (experimental treatments/clinical trials).
  - End of life (heroic measures).
  - Other (funeral, burial, etc.).

Prepare a Living Will
Step 4: Tailor Your Living Will to address your Particular Challenges

• What some call “heroic” may be essential to you.
  – If the patient is age 90 should the decisions be different than someone who is 30?
  – You should be able to make a decision that you do not wish further treatment and that decision should be respected by your agent.

• Differentiate level of treatments at different stages of your cancer disease course.

• Carefully modify quality of life decisions to reflect issues relevant to your condition.
  – Family should endeavor to support the patient in whatever decisions he or she makes.

• Direct home modifications.

• Do you wish to mandate donation organs or tissues to further research?

• If you experience pain you may wish to specific maximum pain relief even if it shortens life?
**Action Steps #4: Living Will**

- Review and consider personal wishes that should be reflected, e.g. religious observances, care instructions.

- Hire a lawyer to draft a living will that communicates your personal decisions. If you cannot afford an attorney use an online form or one available from an organization helping those facing health challenges.

- Discuss modifications to forms: Religious restrictions; Organ donations – e.g., to foster research; Experimental or non-traditional treatments; Pain relief perhaps regardless of the impact on life expectancy.

- Sign several originals, distribute them, be sure one is included in your medical chart.

- Discuss your decisions with family and agents.
Step #5: Protect Your Child
Step 5: When the Parent is Ill: Protect Your Minor Child

- Child’s care information.
- Child’s medical data.
- Insurance coverage.
Step 5: When the Parent is Ill: Tailor Planning for your Children

• Naming a guardian is all most people do but your child may need formal care arrangements if you are alive but incapacitated, and a guardian appointment under a will won’t accomplish this.

• Power of attorney should address expenditures for children not just you.

• Your financial resources may be limited and disability and life insurance may not be available or limited to what you had pre-diagnosis – financial planning is vital.
Step 5: When the Child is Ill: Help the Child

• Child’s care information.

• Child’s medical data.

• Insurance coverage.
Action Steps #5: Protecting Children

• Review **all** aspects of protecting your children with your advisors. If you cannot afford professional advisers use online checklists and legal documents.

• Name trustees under a revocable trust while you are alive and disabled and direct payments for care of children, and trustees and guardians under your will, to provide care.

• Financial planning – Set up 529 plans, Review resources.

• Prepare and sign child emergency medical form.

• Write a personal letter of instruction.

• Include directions in your power of attorney addressing children.
Step #6: Will
Step 6: Sign a Will

• Name executors and guardians.
• Distribute assets.
• Tax planning (bypass and martial trusts, GST planning and more).
• Trusts for heirs.
• Plan flexibly – laws and life change.
• Standby special needs trusts (SNTs) for heirs in the event needed.
Step 6: Wills and Those with Current and Developing Capacity Issues

• Don’t delay signing – treatments and disease course can vary and may make it harder and subject the will signed to a greater risk of challenge.

• If you want to change your will ask your attorney to consider using a codicil (amendment) which won’t revoke the prior will, just change it. This too can be addressed with on line forms if legal counsel is not practical.

• If your treatments (e.g. opioids for pain relief) could impact cognitive abilities. Have your physicians document your treatments, that you are not experiencing disorientation or other effects, to support your attorney’s conclusion you can sign your will.

• Have your lawyer draft flexibly and considering many potential changes in law and your personal situation so if you are not able to legally amend your will the flexibility will give your executor and trustees greater ability to address the new circumstances.
Step 6: Request that Others Tailor Their Wills to Address Your Illness

- Does it make sense for loved ones to name you executor or guardian? If not suggest they revise their documents.

- If you are named a beneficiary suggest that your possible benefactor name a trust designed to protect you, rather than name you outright.
Action Steps #6: Sign a Will

- Wills are important but if you’re dealing with cancer it is only one step of many, and perhaps not the most important step.

- Include personal letters of instruction.

- Consider trusts for minor children.

- Donate to charities that have helped you – even modest donations send an important “thank you”.

- Opt for flexibility in case you cannot update the document to reflect future changes.

- Suggest others establish trusts for you in their wills.
Step #7 Revocable Living Trust
Step 7: Create a Revocable Living Trust

• A trust is a contractual arrangement between the trustee and you to hold assets for the purposes you indicate. It can help manage assets during illness – unlike a will addresses planning while you are alive and well, or disabled.

• Establish a personalized (not boilerplate) living trust, name a trust protector and use a trust tax ID number.

• Transfer assets to a trust during your lifetime.

• Avoid probate and intestacy.

• Contains dispositive provisions of your will.
Step 7: Tailor Your Revocable Living Trust to Address Your Challenges

- Depending on your current status (e.g., cognitive impairment) you can serve as sole initial trustee, but serving as initial co-trustee may be preferable.

- Tailor clauses to retain control while protecting you.

- Include details on lifestyle you wish maintained.

- Address care for children and authorize trustee to distribute for them.

- Use online forms if you cannot afford counsel, but exercise caution.
Action Steps #7: Revocable Living Trust

• See comments for “Wills” above and coordinate.

• Boilerplate Trusts designed to avoid probate won’t accomplish your goals – be wary of the trust mills.

• Focus of document should be protecting you (and your loved ones) and communicating your wishes as your disease progresses.

• Tailor trustee replacement, disability and other provisions to the nuances of your anticipated disease course.

• Fund the trust (transfer assets into the trust name) other than retirement assets or professional practices.
Step #8: Insurance
Step 8: Be Sure Your Insurance Coverage is in Order

- Health insurance.
- Property and casualty insurance.
- Business coverage.
- Long term care coverage.
- Disability income.
- Life insurance.
- Liability Coverage.
Step 8: Tailor/Plan Your Insurance to Address Your Challenges

- Review all medical coverage and options. What will your health coverage cover? What won’t it cover? What will the impact be on your finances?

- Does homeowner’s insurance cover home health aids for injury or liability?

- If you have disability coverage are you collecting; are your payments correct.

- If you drive consider obtaining additional excess liability coverage in case you health status is raised after an accident.

- If you have life insurance can you borrow against it, convert it to permanent coverage if it is term, can you benefit from a viatical settlement.

- Does your partner/spouse have long term care coverage – consider the impact of your condition on them.
Action Steps #8: Insurance Coverage

• Don’t make assumptions – cancer doesn’t mean you don’t have insurance planning options.

• Have all your insurance coverage reviewed at least every 2 years.

• Evaluate all options – Can you convert term life insurance to a permanent policy? Can you sell life insurance in the secondary market to free up cash.

• Standard homeowners coverage may not suffice – do you need a rider for home health workers/home improvements.
Step #9: Beneficiary Designations
Step 9: File Beneficiary Designations and Confirm Title to Accounts

• Standard provisions are not always adequate.

• Coordinate with Revocable Trust.

• What powers should agent have.

• Give copies to your advisors.

• Update when banks merge.

• Revise when tax laws change.
Step 9: Request Loved Ones Tailor/Plan Their Beneficiary Designations to Address Your Illness

• Should a trust for your benefit be named instead of you as beneficiary.

• Should someone else be named beneficiary instead.
**Action Steps #9: Beneficiary Designations**

- Consider all beneficiary designations: life insurance, pensions, IRAs, brokerage accounts and more.

- Be cautious about signing beneficiary designations for non-retirement accounts.

- Obtain copies of the forms you filed and blank forms to facilitate revision.

- Have family members who name you as beneficiary instead consider a trust for you.
Step #10: Give Back
Step 10: Give Back

• Demonstrate important values to heirs.

• Thank those that have helped.

• Inspire others to give.

• Give however you can.
Action Steps #10: To Give Back

- Make a donation (time, cash, insurance, even stuff).
- Include a bequest in your will – even small bequests can make a big statement.
- Write a heartfelt letter to heirs and thanks to those that have helped.
- Inspire others to give that have the wherewithal to do so.
Step #11: Communicate
Step 11: Communicate

• Educate and inform your fiduciaries and family.

• Preparation of beneficiaries.

Having a real conversation is one of the most important steps you can take
Action Steps #11: Communicate

• Explain your finances, family, care, disease, and so forth to your advisors – tell all so they can help properly.

• Discuss with family, friends or others involved in your life what help you might need.

• Can those you expect to rely on really help – do you Have alternatives.

• Express your wishes in face to face meetings and then confirm key points in writing.

• Consider a consultation/evaluation by a licensed independent care manager.
Step #12: Review – It’s a Process
Step 12: Review, Revisit, Revise

- Nothing remains static.
  - Health care coverage.
  - Tax and property laws.
  - Family situations.
  - Assets and net worth.
  - Health changes.
  - New medications.
Get Started Now
Make an Action Plan

And Get Started
Protect yourself and your loved ones
Where to Turn for Help
A CPA Financial Planner and a CPA/PFS are trusted advisors who…

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• Are regulated by state boards of accountancy.

• Integrate advanced planning concepts, including tax and business considerations, with the entire financial plan.
Resources

- AICPA resources
  - findacpapfs.org
  - aicpa.org/pfp/consumer
  - 360financialliteracy.org
  - Among them:
    - Checklists to use with your own return.
    - Today’s PowerPoint presentation.
    - Archived recording of today’s webcast.
    - Tips on choosing the right financial advisor.

- www.cancer.org

- www.shenkmanlaw.com
Questions?