

Planning Can Be Tricky for Childless Seniors

FOR INDIVIDUALS and couples with children, some decisions are relatively easy. If they become ill, they can probably turn to the kids for help. And their offspring are likely to be the beneficiaries of their estate. Such choices are less obvious for childless seniors.

William and Judy Scheeren, both 62, named each other as their agents to make health-care and financial decisions in case one becomes incapacitated. In the event one of them dies or they both need help, the Scheerens have asked their siblings to step in.

William appointed his 56-year-old brother, who lives within a mile of the couple's home in Greensburg, Pa. Judy named her 56-year-old sister, who lives less than three hours away. "We trust them, and they can be on the scene quickly if something happens," William says. The couple gave their siblings copies of their advance-care directives.

The Scheerens are lucky that their siblings live close by and are willing to take on the tasks. In choosing a health-care agent in particular, a childless person may need to consider a list of prospects—nieces, nephews, neighbors, friends and even clergy.

Make sure the person you'd like is willing to take on the health-care role, which could be time-consuming. Your choice should be "someone who's good at acting in a crisis situation, someone who accepts the responsibility, someone you feel would honor your wishes," says Leanna Hamill, an estate-planning lawyer in Hingham, Mass.

Howard Witsma, 76, who is single and lives in St. Louis, named his stepmother's niece as his health-care agent. Her husband is the successor agent, in case something happens to her. When Witsma was in the hospital for six months, they visited him every weekend. "They take the best care of me," he says.

If you plan to remain at home for the long term, try to cobble together a network of friends who can help you down the road. You can give the list to your health-care proxy. "Some people may have a longtime neighbor who's willing to look out for them," says Henry Barron, a social worker in Charleston, S.C.

You could make arrangements now with a geriatric-care manager who can work with your agent if you ever need such assistance. A manager would supervise your care, helping with Medicare paperwork, monitoring



your prescriptions and hiring a home-health aide.

The agent with financial power of attorney should have financial savvy and be beyond reproach. He or she would manage your investments and pay your bills. If you'd like, you can name several informal advisers who can work with the single agent you select.

Choose a trusted financial adviser or accountant if you don't have a friend or relative to take over this role. Or you can create a revocable trust and hire a corporate trustee at a bank or trust company.

You could direct the corporate trustee to handle your financial matters immediately, after you become incapacitated or after you die. Interview several trust companies. "You want to be comfortable with the organization," says Kevin Bartlett, president of Fidelity Personal Trust Company. "Ask: How long have they been in the business? How many families do they work with? How many families does each trust officer handle?" The cost is usually 1% of assets per year.

Pat Iezzi, an estate-planning lawyer in Greensburg, Pa., says the corporate trustee should "agree with your way of investing." If you're a conservative investor, he says, don't choose someone who wants to put most of your money in stocks. If you want oversight, you can name a friend or relative as a co-trustee.

Your financial and health-care agents must work well together. If they decide you should move into assisted living, says Sally Hurme, senior project manager for AARP, "the financial agent needs to determine how your care is paid for, and the health-care agent would work with doctors and determine the best facility."

You should appoint back-up agents. "You always want an alternate in case the person you name gets sick

or they don't want to serve in that role anymore," says William Andersen, a lawyer in Fort Lauderdale, Fla.

Without an adult child to coordinate activities, it could make sense to ask someone, such as your estate-planning lawyer, to oversee everything. You should give your lawyer the names of your agents, close friends and other contacts. You'll also need to spell out in your trust how it will be determined that you can no longer handle your finances, perhaps letters from two physicians, with confirmation from a family member.

Drawing Up an Estate Plan

Creating an estate plan can be tricky. Spouses typically designate each other as IRA beneficiaries and as heirs of other assets. They should also name contingent beneficiaries, who will get the assets if the primary heir dies first.

For couples with children, the contingent beneficiaries for both spouses will likely be their kids. But what if a childless husband names his favorite nephew as a contingent heir, while the wife names a beloved niece? If the husband dies first, the wife will inherit everything, and when she dies, the niece will get it all.

If this couple wants their beneficiaries to line up, the two could spell out in both wills and on all designation forms that the nephew and niece will each get half or some other percentage. The Scheerens named each other as primary beneficiaries. When the second spouse dies, they've directed that their assets be divided equally among their five siblings.

A court will track down your relatives if you don't name beneficiaries. Marilyn McWilliams, a lawyer with Moye White in Denver, says one of her clients, an unmarried man, wanted his favorite niece to inherit all his money. But he never drew up a will. When he died, a detective was hired to find his 17 nieces and nephews. "His favorite niece got one-seventeenth of his money instead of all of it," she says.

Childless seniors are more likely than others to leave money to charity after they die. If much of your estate will go to charity, ask a tax or estate-planning lawyer to draw up an arrangement to carry out your wishes.

Witsina transferred his assets to a revocable trust. Upon his death, the trust will give certain percentages to his cousin and to two families he is close with. The balance will go to a charitable foundation, which will disburse money to 15 to 20 charities, including the St. Louis Symphony Orchestra. "I give a good deal of money to charities now, and I'd like to continue to support those organizations," he says. **K** —KATHRYN A. WALSON

TAXES

Follow the Tax Rules for Charitable Giving

AS YOU MAKE your year-end charitable donations, keep in mind the IRS rules for taking tax deductions for your contributions. You'll also need to compile the documentation for donations made earlier in the year.

Starting in the 2007 tax year, clothing and household items donated must be, according to the IRS, in "good used condition or better." The Salvation Army's Valuation Guide can help you figure out the worth of various items, from microwaves to hats. (Find the guide at www.salvationarmyusa.org.) A taxpayer can claim a deduction of more than \$500 for any single item, regardless of its condition, by including an expert appraisal with the return.

Uncle Sam will not take your word for it if you give a cash donation. Personal bank registers or notes made around the time of the contribution are no longer considered proof that a donation was made.

To deduct any cash contribution, you must have a bank record or a written communication from the charity showing the name of the charity and the date and amount of the contribution. A bank record includes canceled checks, bank-account statements and credit-card statements.

For all donations of property, including clothing and household items, get from the charity, if possible, a receipt that includes a description of the donated property. If you leave a donation at a charity's unattended drop location, make a written record.

For donations made by a payroll deduction, keep a pay stub or other document supplied by the employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.

In most cases, tax deductions for cars, trucks and boats are limited to the amount the charity receives from the sale of the vehicle. Form 1098-C must be provided to you by the organization, and you must attach it to your tax return. For more information on vehicle donations and other tax-related rules on charitable giving, read IRS Publication 526 (www.irs.gov).

Only donations to qualified organizations are tax-deductible. IRS Publication 78 lists most eligible organizations. You can also search the list online. Click "Search for Charities" on the IRS's home page. **K**