

Yo' mama ain't got no money

By Andrew Hudick

On occasion, I will meet people in my office who are seeking to hire a financial advisor. During the course of the interview, I will make a comment about the (lack of) savings they are committed to putting away.

Their response of "my dad has a lot of money and is very old so I will inherit a substantial sum one day and therefore need not concern myself with the details of saving money" is not as surprising to me today as it was the first few times I heard it.

It is acceptable to believe in a lot of things when living in the real world. You can believe in a higher being, that your cat understands what you are saying,

divine intervention, low calorie chocolate, or even that the weather forecast for tomorrow is accurate.

But, if you believe and plan your financial future around your pending inheritance, then you should reconsider.

Here is a fact. The average life expectancy is 82 for a man 65 today and 85 for a female. On a fixed income, a 20-year set of living expenses would triple with inflation averaging between 5 percent and 6 percent. Seeing a \$3,000 monthly



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fixed expense rise to \$9,000 could strain even a large nest egg.

Since most people tend to live within their means during retirement, the pressure on the nest egg is not normally felt in the early years of retirement. But, absent good planning by the retiree, when the pressures start to mount, the only course of action is often to spend the savings account (i.e., the children's inheritance).

Help!

Many retired parents are already helping an immediate family member. Some are helping their adult children buy a home they could not afford on their own. Grandparents are helping pay college costs for grandchildren (college tuition costs are rising much faster than recent inflation rates and faster than the 5 to 6 percent inflation rate suggested above).

More parents are divorced and are divorcing at older ages. As you would expect, supporting two households on one set of pensions and savings accounts is almost twice as expensive as supporting one household.

Have you heard the radio advertisements lately for a reverse mortgage? The target market for these loans is your retired mom and/or dad. Want to guess who will inherit the house if a reverse mortgage is in place on a dwelling?

When a retiree speaks to us about this type of financial decision, they are not planning to inform their children they have taken this course of action.

Transfer

Do you have a "ne'er do well" sibling? What are the odds mom or dad is helping them out with your inheritance? Many studies and financial articles report that the transfer of wealth from the older generation to the younger generation happens during the lifetime of the retiree (older generation for the purposes of this article).

Someone may be spending your inheritance and it may just be your mom, your dad or your brother.

Have you listened while a retiree talks about bailing someone out of a financial jam (credit card, student loan, vehicle payment) and thought how lucky they were?

That is someone's inheritance. I hope it was not the one you were planning on using to fund your retirement.

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