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**prime**

**Finance**

# Family values

Parents are increasingly being asked to aid their 'independent' offspring

**Y**OUR superannuation is heading for its worst year ever, you've been caught on the wrong side of a company's fall into receivership and you suspect your financial planner is a dud.

To top things off, one of your children has been on the phone asking for a loan.

You're not alone.

Lawyer Andrew Simpson, a partner at Moores Legal and head of the firm's elder law division, is seeing more clients bailing their offspring out of financial trouble.

"A lot of older people are advancing fairly significant sums of money to children in their 40s and 50s who have found themselves in financial difficulties," he says. "We are doing a lot more inter-family transactions, which is something I never saw four or five years ago."

He says many families are turning to products such as reverse mortgages as a solution.

A reverse mortgage allows a home owner to borrow against the equity in their house without making regular interest payments. Usually the loan is only repaid when the house is sold or the borrower permanently moves out of the house or dies.

"Reverse mortgages have been pushed heavily to the retirement market but they are very complex transactions, and the documentation that supports them is also quite complicated," Mr Simpson says. "I encourage people who are considering them to look at alternatives."

"Can family members help out by providing some money in the interim? Or is downsizing the family home a better option?"

Mr Simpson adds that Australia's growing elderly population was a target for new financial products and services, from reverse mortgages and "granny flat" interests to retirement village

accommodation agreements (see "Life choice", page 16).

At the same time, the elderly are at greater risk of financial abuse as their reliance on others for assistance increases.

"Historically, elder abuse was often viewed as abuse of a physical nature, but financial abuse is now recognised as a growing issue for older Australians," he says. "It is difficult to deal with because it often occurs at the hands of family members and goes undetected."

Whether you are approaching retirement or have already stopped work, sudden hits to your income — whether accidental or from deliberate abuse — can be devastating.

So how do you protect yourself from financial abuse and prevent your wealth being eroded as you grow older?

Lawyer and financial planner Grant Mackenzie believes you can't afford to delegate responsibility for your money to someone else. That doesn't mean you shouldn't use a financial planner, or stockbroker, but it is important to understand your own needs and investment and risk profile.

"For people with no financial background, getting a 50-page statement of advice from a financial planner can be a bit intimidating," says Mr Mackenzie, a partner in law firm Phillips & Wilkins and a licensed financial planner.

"They might have been told to get a second opinion so they go to a second financial planner and get a second statement of advice. If they didn't understand the first one, the second one is not going to help."

## BE PREPARED TO ASK THE RIGHT QUESTIONS

Know at least some the questions you need to ask of your financial planner, advises Mr Mackenzie. The questions should include



**Understand your own needs, too ... 'by the time people are retiring, they probably should be taking very little, if any, risk'.**

GRANT MACKENZIE,  
Phillips & Mackenzie

why certain products are being recommended, how they fit with your requirements and risk profile, and how much the adviser or planner is being paid.

Is the payment or commission excessive?

"You might have nothing to compare it with, which is why getting impartial advice is valuable," says Mr Mackenzie.

He recommends investors use the Financial Information

Service (FIS) offered by Centrelink, which is free, independent and available to anyone.

"A Centrelink FIS officer can take a statement of advice prepared by a financial planner and tell you whether it achieves what you want it to," he says.

They won't talk about products but they will talk about strategy and tell you whether the advice you have is right for you, he says.

As Australians grow older and live longer, the financial resources required to fund a longer period of retirement are greater.

"By the time people are retiring, they probably should be taking very little, if any, risk. But it really depends on how much money they have and what their life expectancy is," says Mr Mackenzie.

Pre-retirement financial planning needs to focus on the

medium to long-term financial needs of the investor.

"There is little value in an 80-year-old client investing in a financial product that requires a long-term commitment, such as an investment in a forestry plantation."

He advises people to structure their financial arrangements so there are protection mechanisms in place.

"If you nominate a power of attorney, nominate more than one and insist they act together," says Moores Legal's Mr Simpson.

As for finding a good financial planner, both Mr Mackenzie and Mr Simpson say referrals from friends and family are a good start. "There is no substitute for having a good recommendation," Mr Simpson says. "Try to find someone who has a proven track record in dealing with older clients."

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