

# Scenario 1

## Harry and Sally

### Family Circumstances

Harry (age 66) and Sally (age 62) have been married for many years and have two children from the marriage:

Anna (age 40), who lives locally, is a single mother of two children and barely lives paycheck to paycheck. Anna and her children share a close relationship with Harry and Sally. The father of Anna's children is not in the picture and provides no financial support.

Brian (age 37) lives in Silicon Valley, has two children and is in a shaky marriage. He earns a substantial salary of \$400,000 per year, but spends more than he earns. He is not very involved with his parents' lives. Harry and Sally love their grandchildren from Brian too, but never get to see them unless Harry and Sally visit them.

Harry was recently diagnosed with Alzheimer Disease. It is becoming increasingly more difficult for Sally to provide for Harry's total physical care.

Prior to Harry's illness, Harry and Sally were providing Anna with some financial support to help Anna meet some of the expenses with the children.

Sally's mother, Margaret (age 88) is in fairly good health, lives on her own but requires some assistance with doctors' visits and grocery shopping. Thus, Sally is part of the sandwich generation providing care to her children and mother (as well as Harry!)

### Financial Resources

Harry retired as a stock broker and at the age of 62 began to draw social security. He receives \$1,800 per month. He was successful in his career, but he was a bit of a risk taker and they did not accumulate a lot of wealth. Sally primarily stayed home to raise the children and take care of the house. Periodically Sally would work office jobs to help support the family and once the children left the home she found full time employment, but was forced to retire recently to stay home and take care of Harry. Sally receives a monthly social security check of \$900.

Harry has a rollover IRA of \$300,000 and there are joint bank accounts of \$250,000.

Before his illness, and when both Harry and Sally were working, their average monthly expenses were \$3,500. This allowed them to live in modest comfort and still give some small amount of

financial support to Anna. Now that they are both retired, their only source of income is social security, plus what they may elect to draw out of Harry's IRA.

Harry and Sally bought their first and only home together 40 years ago for \$50,000. It is now valued at \$400,000. In order to help meet expenses, they did a refinance taking equity out of the house so that there is now a \$100,000 balance due on mortgage payable over the next 17 years.

There are two life insurance policies on Harry's life. The first is a \$100,000 permanent life policy with a cash value of \$30,000, a \$20,000 cash basis and a \$20,000 outstanding loan. The second is a 20 year term \$150,000 face value life insurance policy that was taken out when Harry was 43 years old. Both policies are owned by Harry and the term policy is renewable and convertible into permanent life insurance (for an additional premium at standard rates).

There is no long term care policy in force.

Sally came from a very comfortable family that never struggled and so she has become quite distressed and fearful about the future. Sally's father died in 2000 and she recalls that there was talk about a trust that was created by her father for the benefit of her mother, Margaret. Sally believes that the word, "bypass" was used in conjunction with this trust. Margaret is very private and will not share information about any of her finances. Sally is an only child and her father and mother's only descendant. Sally appears financially to be very savvy, but she is risk adverse.

### **Goals and Concerns**

1. **Harry:** How to take care of Harry's long term care – both physically and financially.
2. **Sally:** How to keep all of their financial resources from being used to take care of Harry's and to secure some type of financial security for Sally.
3. **Legal Affairs:** What legal documents are needed to get Harry and Sally's affairs in order? How do they plan for Harry if something happens to Sally first.
4. **Anna:** If possible, how to preserve an inheritance for Anna and her children who will need it.
5. **Brian's children:** Harry and Sally feel that Brian does not need any of their money. However, if possible, they would like for Brian's children to know that their grandparents loved them and wish, if possible, to pass along something along to them.