3 Experts Share Tips for Protecting Yourself & Your Assets

Dementia has become the No. 1 cause of disability globally, according to the World Health Organization.

Stroke, which can also profoundly impair judgment and decision-making, stands at No. 2.

“This year, 7.7 million new cases of dementia will be diagnosed, and 15 million people will suffer a stroke,” says CPA Jim Kohles, chairman of RINA accountancy corporation, (www.rina.com). “By the time dementia symptoms become apparent, their competence may already be affected. Strokes, as we know, can be tragically sudden.”

While many people carefully plan for retirement and what will become of their estate after death, too few provide for that middle ground – incapacity, adds attorney John Hartog of Hartog & Baer Trust and Estate Law, (www.hartogbaer.com).

“We should plan for incapacity, and if it never comes into play that’s wonderful,” says wealth management advisor Haitham “Hutch” Ashoo, CEO of Pillar Wealth Management, (www.pillarwm.com).

Incapacity planning ensures you're able to speak for yourself in all decisions, from your medical care to financial affairs.

Here are three steps everyone should take, from the accounting, legal and financial perspectives.

• Get disability insurance. "The likelihood of something happening that affects your ability to work is high, so you really should carry disability insurance," says accountant Jim Kohles.

How you pay for it can have different tax impacts. If you purchase it through your business, whether as owner or employee, you can take a tax deduction on the premiums. But that means any claims paid will be taxable. If you pay with post-tax dollars, any benefits are not taxable.

"The difference in saving taxes on $200 a month in premiums versus $5,000 a month in benefits is significant," Kohles says.

Kohles also cautions that more new policies now are capped at 10 years of payments – not lifetime. So be sure you understand the terms.

• Have legal documents that clearly state your wishes. These include a durable power of attorney for financial affairs and an advanced health care directive for medical decisions, says attorney Hartog.

Name the people – the "agents" -- who will be responsible for implementing those decisions, and draw up a document that delineates their responsibilities and powers. Choose people in whom you have a great deal of faith and trust. "People need to remember they're going to be vulnerable – you don't want to pick someone if you have a quiver of doubt about them," he says. One safeguard is to name an agent, and a second person to whom the agent must report. "Just the idea that you have to report keeps people honest," Hartog says.

In some states, the government provides forms so people can prepare these documents themselves, although Hartog suggests at least consulting with an attorney.

• If you’re the “non-financial” spouse, become familiar with the financial plan. “Typically, one spouse is in charge of the finances, and the other takes a back seat, or even a no seat,” says wealth management advisor Ashoo. “The non-involved person needs to understand how the finances are arranged and planned, and he or she needs to be very comfortable with the family’s advisors.” This will prevent a nightmare during an already stressful time should the involved spouse suddenly become incapacitated.

Both spouses should attend meetings with the family’s advisors, even if one spouse doesn’t fully understand or isn’t interested in all the details. “If something happens, they will know who to call and what to do,” Ashoo says. “They’ll avoid a nightmare. That’s the peace of mind I want for my clients.”

All three experts stress the importance of having these provisions in place long before you think you’ll need them.

“Younger people have a higher chance of becoming disabled before they die, and they’re usually the people who haven’t planned for that at all,” says Kohles.

About John Hartog, Jim Kohles & Haitham “Hutch” Ashoo

John Hartog is a partner at Hartog & Baer Trust and Estate Law. He is a certified specialist in estate planning, trust and probate law, and taxation law. Jim Kohles is chairman of the board of RINA accountancy corporation. He is a certified public accountant specializing in business consulting, succession and retirement planning, and insurance. Haitham “Hutch” Ashoo is the CEO of Pillar Wealth Management, LLC, specializing in client-centered wealth management. All three are based in Walnut Creek, Calif., and advise ultra affluent families.