

Stuck in a high-priced poorhouse

Struggling seniors may not realize the value of their homes

[From page A1](#) In today's housing market where the average price of a detached home is now \$1 million in Toronto and \$1.8 million in Vancouver, it's becoming increasingly common to see seniors living in poverty even though they have enough home equity to lift themselves out of it. Across the country, the average price of a home reached a record \$442,857 in 2015 — much of that wealth an untapped resource.



JASON

PAYNE/PNG FILES It's not uncommon for Canadian seniors to not know the value of where they live — causing their adult children to step in to strike a balance between property wealth and a parent's lifestyle.

"I've seen people who are eating cat food but they own a \$1.5-million house," says David Batori, the broker of record with Toronto-based Re/Max Hallmark Batori Group Inc. "Some of these seniors just don't have any idea what their home is worth because they bought it so many years ago. Maybe even for as little as a few thousand dollars."

With some local bidding wars making national news for the high prices homes are attracting, it may seem hard to believe that residents of Canada's two largest markets don't know what their homes are worth. But it's not uncommon for some Canadian seniors to be unaware of the value of their location — a situation that causes many adult children to step in and do something about the imbalance.

Wayne Korol says his 76-yearold mother, who had been diagnosed with dementia, was facing some difficult financial decisions but had the luxury of living in the same home for the past 38 years in West Vancouver — an area where prices have soared to an average of about \$2.5 million.

“She had credit lines and was living off of them, but the rules changed and she couldn’t (get more credit),” said Korol, whose mother needs care 24 hours a day. “She could have moved, but mom had always said she wanted to stay in her home as long as she could. She loves her property, lives and breathes it. There is a beautiful view of Vancouver from every window.” Korol became what is called the committee of the person for his mother, essentially, a person appointed to make personal, medical, legal or financial decisions for someone who is mentally incapable of making those decisions for themselves. It was something the two had discussed long before she became ill.

“The beauty is mom is where she wants to be and we are able to support her with her own resources, so the burden on the rest of us is not as great. She’s really happy,” said Korol, who set up a reverse mortgage on the property for extra cash while retaining the right for his mother to stay in the house.

Korol obtained that mortgage through HomEquity Bank, the largest provider of reverse mortgages in the country.

The Financial Post asked Yvonne Ziomecki, senior vicepresident of HomEquity, about what can be done to strike a balance between property wealth and an improved lifestyle.

Q Why is the financial health of parents any business of their adult children?

A I think it’s important because children do have emotional and financial obligations when it comes to their parents. It will depend on family circumstances and some families are comfortable discussing money under any circumstances.

Q What level of involvement should there be?

A If the parents are capable of managing their finances and they seem to be OK, you don’t need to be very involved at all.

Q How do you make that call of when to get involved?

A If you are starting to see some signs, like showing up at the house and seeing disrepair, unpaid bills in unopened envelopes or other neglect. If they used to give money to grandchildren and then all of a sudden it stops — are they forgetting or do they not have any money? It doesn’t have to do with age. You need to stay close to parents geographically.

Q What do you do if you live in another city?

A My parents live in a different country altogether, but I have a younger sister and we sort of tag team the conversations (with our parents). I try to talk to them on the phone. You can be close to your parents even if you are not in the same location by spending time on the phone. Sometimes you can pick things up in their voice long distance you can’t pick up in person. (But) it’s not as easy as dropping by and seeing a stack of unpaid bills.

Q Is the issue usually a lack of money or just forgetfulness when it comes to neglecting issues like home repair and bills?



A I think people are afraid to talk about money. It starts with small money issues and they think they can manage and it becomes worse and worse and they are embarrassed to tell their children that maybe they mismanaged something.

Q How often do adult children have to help their parents?

A It happens quite a bit that they are the ones who end up going to the bank for a loan. If the parents actually own the house, they can get a reverse mortgage, draw money from the house and lift that burden from their children. We recently had two sons who were drawing \$3,000 per month for the medical needs of their parents. They wanted an increase. Their banker said 'Why? Mom lives in a \$1-million-plus home, just use a product to access that (wealth).'

Q What about getting legal control of your parents' assets?

A I personally preach it's never too early to get a power of attorney for medical and financial matters. Don't do one of those do-it-at-home, go see a lawyer. It's not that expensive. It can cost \$200.

Q Is there resistance from parents to setting up a power of attorney?

A It may just be a generation thing or (parents) trust children will just work things out. But it's not that simple. Money is often a big cause of family feuds and falling out in the family. Even if the parents only have two children and it should be straightforward, it's not always the case. This has to be done when you still have your mental health.

Q How do you make sure your children don't financially abuse you and protect yourself?

A Absolutely we see adult children financially abuse their parents, we see that. They add themselves to titles, they take money, loans against the home. There are government agencies you can complain to. But how do you protect yourself in advance? You have to have a broad network of friends and family members you are in contact with. If you are depending on just one person, that relationship could become abusive.

Q What about the relationship between elderly parents or partners? Are they always in agreement?

A The first issue is, is there clarity about finances between spouses? If there is, then it's easier to be open and involve their children. If they are hiding things — spending habits, savings or other relationships — they are not going to want children to be involved. They don't want anyone to see what's going on.

Q Is there a good time of the year to discuss any of this?

A Tax time. It's a very good time because you can ask if they have all their documents. Do they need any help? Do you want me come over one day and sort through it? Then you can discuss if they are overwhelmed or confused about everything (financially).