

The Caregiver's Financial Guide

Five questions to help you prepare for what may be one of the most important roles of your life.

Living till you're 80 or 90? A century ago the odds were decidedly against it, but today we take greater longevity almost for granted. The extra years can be a wonderful gift, providing more time for loved ones to spend with one another. But living longer also has costs, among them a greater chance of needing expensive long-term care.

"People who aren't familiar with Medicare and Medicaid regulations may be surprised to discover what is and isn't covered—especially what isn't." James D. Gothers, National Insurance Specialist Executive, Bank of America Merrill Lynch.

While all chronic illnesses involve financial and emotional costs, Alzheimer's disease can be especially challenging. Alzheimer's patients frequently end up in nursing homes, where a private room costs, on average, more than \$8,100 per month.¹ Whether someone in your family ends up suffering from Alzheimer's or some equally devastating illness, you may be called upon to help out, providing both hands-on care and financial support.

There are no simple answers to the financial and legal questions related to caregiving, but advance planning can help. Cynthia Hutchins, director of Financial Gerontology for Merrill Lynch Wealth Management, and James D. Gothers, a national insurance specialist executive at Bank of America Merrill Lynch, suggest gathering your family and considering the answers to the following five questions.



Question 1: How can I prepare for the financial challenges of caregiving?

A: It's never too early to talk with family members about what-if scenarios, Gothers says. "What if your parents need to move in with you, for instance? That might require that you retrofit your home to make sure that it's safe for them. Or what if they live hundreds of miles away and you need to visit them often to make sure they are being cared for properly? You'll have to figure out

how that will affect your career, what problems it might create if you have kids of your own who still need you around and whether the cost of regular travel might be a burden."

You may want to determine how future caregiving responsibilities could affect your overall financial strategy. Depending on your family history, you may want to begin saving now for potential caregiving costs. "Try to avoid finding yourself in a position where you have to quit your job or reduce your hours at work," says Hutchins. "That could leave you paying for your own health insurance, and you might lose other benefits as well, including money from your retirement plans, if you haven't met vesting requirements."

Question 2: What if my parent or spouse doesn't have long-term-care insurance?

A: "Taking an inventory of your loved one's assets may help you find sources of money to help cover caregiving costs," suggests Gothers. Could they afford to move into an assisted living facility? What other assets or resources might they be able to draw upon to cover such ongoing expenses as a home health aide or a large one-time expense like a stair lift? Try to avoid tapping your own retirement funds. "If you shortchange your financial future, you could inadvertently become a financial burden to your own family," notes Gothers.



Question 3: Is Medicaid an answer?

A: Eligibility for Medicaid, which covers the cost of most long-term care in the U.S., is determined by a maze of state and federal rules. In general, assets must be reduced to a set limit in order to qualify, with federal "spousal impoverishment" rules protecting the healthy spouse from having to spend down all of the couple's assets to pay for nursing home care. "An elder-law attorney could help you and your spouse or parents navigate these extremely complicated rules," says Hutchins.

"People who aren't familiar with Medicare and Medicaid regulations may be surprised to discover what is and isn't covered—especially what isn't. So it's worth spending some time researching what these programs actually pay for," adds Gothers.

Question 4: What if my parents live far away?

A: You may want to research programs that can help locate a nursing home and identify benefits programs. Check the Eldercare Locator, managed by the U.S. Administration on Aging, for local caregiving services, suggests Hutchins. (Call 800.677.1116 or visit eldercare.gov.)



Question 5: What if I need to transfer management of a relative's finances to myself or a trustee?

A: Taking responsibility for a parent's or spouse's legal, medical and financial affairs will be easier if you're able to have this conversation while your loved one still has the cognitive ability to understand the situation. Make sure to review and update relevant legal documents, Hutchins advises, including a will, an advance medical directive (describing end-of-life treatment preferences), a durable power of attorney (which designates someone to make legal and financial decisions) and a health-care proxy (transferring legal authority for medical decisions).

You might also consider whether a Trusteed Individual Retirement Account makes sense in your situation. With it, the financial institution you name as trustee can continue to provide professional investment management, which includes investing IRA assets, ensuring that required minimum distributions are made and paying bills, among other services. "It's a valuable tool that can provide security in the event of incapacity," says Gothers.

One last tip, adds Hutchins: If you do become a caregiver, don't forget to take care of yourself. "Caregivers go through a lot of stress. Taking advantage of community services such as adult day care or respite care can make a huge difference."

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