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Start Planning Now to Care for Elderly Parents: 5 Tips



(Dreamstime)

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If you have an aging parent and want a glimpse of what the future holds, look no further than Leslie Glutzer. The 66-year-old from Chicago has a mom who is 92, dealing with dementia, now living in a local nursing home.

Those costs are not covered by Medicaid, so Glutzer and her husband are spending more than \$5,000 a month from their savings.

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"It really starts to add up," Glutzer says.

This financial struggle is one that is shared by many. For nursing homes, in particular, the costs can be astronomical.

A new study from insurance giant Genworth Financial found that a private room in a nursing home averages out to \$267 per day or \$8,121 a month, up 5.5 percent from the year before.

Semi-private rooms are not far behind, at \$7,148 a month on average. Overall, long-term care costs rose by 4.5 percent from 2016 to 2017, according to Genworth's "Cost of Care" survey.

That is the second-highest annual increase since the yearly survey began back in 2004. Experts agree that it is important to start thinking about caregiving costs now.

Waiting too long means you cannot stockpile resources, take out affordable insurance policies or plan ahead for a thoughtful drawdown of assets.

"At that point, your choices become very limited," says David O'Leary, president and CEO of Genworth's U.S. Life Insurance division.

So exactly how can you provide compassionate care for your parents without bankrupting yourself and sabotaging your own retirement?

The following are five tips:

TAKE FINANCIAL INVENTORY

Have a family meeting and take stock of the financial resources available. Folks in their 70s or 80s may have a pension, as well as Social Security and personal investments, which could help soften the financial blow for adult children.

Figure out if all siblings are going to share eldercare costs equally, or if some who may not have the means can contribute in other ways, like arranging hospital appointments. Be sure to find out what your parents envision for their future.

"As the child, we want to make the decision we think is right," O'Leary says. "But we really have to look at everything through the eyes of our parents."

HOME EQUITY

If your parents own a home, consider tapping it to pay for caregiving expenses.

"Think of it as an investment that can be used to pay for care," says Joy Loverde, an eldercare expert and author of the new book "Who Will Take Care of Me When I'm Old?"

That might mean selling it, downsizing elderly parents into a smaller space, and using those funds for long-term care. It might also mean that adult children buy the place, lease it back to the parents and potentially tap the home equity.

Or it might mean a reverse mortgage, which allows homeowners to borrow money against the value of their homes, receiving proceeds as a line of credit, fixed monthly payment or lump sum.

MEDICAID QUALIFICATION

Medicaid can cover long-term care costs like nursing-home admission, but only for those under a certain level of personal wealth.

That might require shifting assets in a thoughtful (and legal) way.

"One of the most effective planning strategies has been to encourage our clients and their elderly parents to consider gifting their assets into irrevocable trusts, including their primary residence," says Ian Weinberg, a financial planner in Woodbury, New York.

GET COVERED

Long-term care policies can definitely help with eldercare costs, but only 8 percent of the population is currently covered by them, according to Genworth. The trick is to secure them while you are healthy and early enough -- say, in your 50s -- so that they are still relatively affordable.

"I have at least one client dealing with these costs for his parents, and thank God we had the good sense to buy LTC insurance," says Kashif Ahmed, a financial planner in Woburn, Massachusetts. "Otherwise, their assets would be depleted in no time."

CONSIDER LESS EXPENSIVE OPTIONS

Nursing homes are not the only option. These days it is more like a "continuum" of care. For instance, parents might move in with their adult children. Or they might prefer to stay right where they are, perhaps with a home health aide coming in occasionally.

The next level up might be an assisted-living facility, which should offer an array of services for independent living, and even different levels of care within the same facility.

Those will not cost as much as nursing homes, at \$123 per day or \$3,750 a month on average, according to Genworth.

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