

Caregivers and Finances: Putting the Caregiving Puzzle Together

by Sandra Timmermann, EdD

Abstract: The caregiving experience is part of life, when viewed holistically. It is about love, obligation, and the life cycle. Like all of life, finances play a big part. While there are no easy answers, there are some steps that families and their advisors can take to make the caregiving journey a smooth one.

Becoming a caregiver is one of the rights of passage of adulthood. We are likely to find ourselves in the role of caregiver for our aging parents, a spouse, a family member, or perhaps a child with special needs. From my vantage point, it seems that caregivers and the issues that surround providing care have been top of mind for the past several years. Yet, in some respects, we haven't figured out the best way to help and support them or given them the financial advice they need.

Books, Web sites, publications, research, national and local organizations, and public policy discussions all point to the caregivers as unsung heroes who spend many hours of their time, their energy, and their money helping family and friends. One study indicates that the economic value of their labors of love is valued at \$375 billion.¹ After so many years on the radar screen, what new information do we have about caregivers? Are they receiving the help they need? How do finances and legal issues play into the equation?

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New Information about Caregivers

To provide a level set about today's caregivers and so the readers have a base of knowledge, following is some new information from the recently released study on caregiving in the United States:²

- 65.7 million, or 28.5% of Americans are caregivers.
- 66% are female.
- The caregiver's average age is 48.
- The average length of care is 4.6 years.
- 57% are employed full or part time.
- 70% take care of an adult age 50 and over; 14% take care of an adult aged 18-49; and 14% take care of a child with special needs under age 18.

Caregivers for people over 50 have similar profiles, with some variations. They tend to be a little older (age 50) with a slightly higher median income. The average care recipient in this group is female, age 77, widowed (49%), living in her own household (58%), and needing care because of physical conditions (76%). Caregivers, however, often say the reason their care recipient needs help is because of aging (15%) or Alzheimer's disease or dementia (15%).³

Financial Aspects of Caregiving

Most caregivers (57%) do not report that caregiving is a financial hardship for them, but on a scale of one to five, in varying degrees, others are experiencing some financial pain, with one in ten ranking it high.⁴ One study indicates that caregivers, on aver-

age, pay \$5,531 in annual out-of-pocket expenses, nearly half cut back on vacations and leisure activities, and 34% dipped into their savings.⁵

In addition to out-of-pocket costs, caregivers often don't realize the financial impact that searching for and then providing care may have on their careers and their own long-term wealth. They often make workplace adjustments, go from full to part-time work and lose benefits, give up promotions, or quit or retire early. A benchmark study reported several years ago that caregivers lose over \$600,000 in lifetime wealth when taking into account lost wages, Social Security benefits, and pensions.⁶

It's fair to say that most caregivers, whether experiencing a financial burden or not, are either paying out-of-pocket expenses themselves or dealing with their loved ones' finances, or doing both. One of the difficulties that many adult children who are caregivers experience is figuring out their parents' financial situation. Perhaps because of generational attitudes about money, many parents have not shared their financial status with their children. As a result, if a parent is incapacitated or has a cognitive impairment, a major task is sorting out what type of care a parent needs, where to find it, and how much money is available for paid care if it is needed to supplement family care.

Most people want to remain in their homes as long as they can. The cost of paid care, however, whether at home or in an institutional setting,

continues to rise. The average cost of a home health aide is \$21 per hour and a companion (often appropriate for someone with Alzheimer's disease who needs ongoing supervision) is \$19 per hour, and this can add up if round-the-clock care is needed. Base costs for assisted living, at first glance, don't seem to have risen as quickly, but there are many services often not covered in the base such as medication management that can add up quickly. And for those who need it, a private room in a nursing home is now \$79,935 per year.⁷ For those with lower incomes and assets, there are some community-based government programs available that can provide some limited help such as energy assistance or home care visits. However, for so many who don't meet the requirements, these services just aren't available.

What can happen is that caregivers spend many hours searching for answers, not only about the costs involved but also on how to provide the right kind of care for their loved ones while maintaining their own livelihood and family life. It's fair to say that there is essentially no seamless system or "one-stop shop" that caregivers can go to for answers, and even when a loved one is discharged from the hospital or has visited the family doctor and received an Alzheimer's diagnosis, families are often left to fend for themselves.

Of course, it isn't only about finances. It's also about the emotional aspects of caregiving, coming to terms with the fact that a loved one will need care over a long period of time. But finances are often intertwined with caregiving, an important piece of the puzzle that is frequently overlooked.

Here's where financial services professionals, in collaboration with professionals in other occupations such as geriatric care managers, Elder Law attorneys, and funeral directors, can make a difference by stepping in and providing real value.

Help Is on the Way

While there are no easy answers, there are some steps that families and their advisors can take to make the caregiving journey a smoother one. Here are some suggestions:

- Make sure that the care recipient's legal documents related to health care are in order, especially a living will and a durable power of attorney, and refer the caregiver to an Elder Law attorney if appropriate.
- Using the market surveys cited above as a guide, help families project the cost of care in their area.
- Become familiar with home care services, assisted-living facilities, and nursing homes in your community so you can assess their quality and fee structures.
- Visit local adult daycare centers and become familiar with their services. ADCs are places where care recipients can go during the day while the caregiver is at work and are often more affordable than home care (and provide the added benefit of a social, engaging setting).
- Be knowledgeable about public resources such as www.eldercarelocator.org, which identifies local agencies on aging that provide services such as Meals-on-Wheels, and www.benefitscheckup.org, which helps caregivers find out if their parents or loved ones are eligible for services or benefits.
- If the caregiver is employed, he/she should check with his/her Employee Assistance Program to see what support is given to employees; for example, some companies offer caregiver coaching or extra leave for parental care.
- Team up with or connect the caregiver to a geriatric care manager who can assess the situation, sort out options and their costs, develop a care plan, and perhaps implement the plan.
- Help caregivers think through the use of home equity as a tool their parents can use for income or to pay for care, specifically whether or not a reverse mortgage might make sense.
- Assist the caregiver in evaluating the economic value of wages and continuing to work versus leaving the workforce or retiring early; it may be a better move to keep working and pay for care to build retirement assets and maximize vesting and other benefits.
- Network with the aging services community to become familiar with programs available and to demonstrate the value that a financial advisor can provide (this might also lead to referrals).
- Become familiar with end-of-life issues and the cost and services of funeral directors.
- Work with the caregiver to develop a financial plan for their parents if appropriate, including a discussion of housing options, relocation, and product solutions.
- If the caregiver is paying out of pocket for the parents' care, incorporate these expenses into his/her financial plans.

- Help the caregiver prepare for his or her own care, looking at long-term care insurance as an option.

The caregiving experience is part of life, when viewed holistically. It is about love, obligation, and the life cycle. Like all of life, finances play a big part. A financial professional who has empathy and who understands the passages that we all go through will be invaluable to caregivers and play a key role in helping them through the transition. ■

A series of *Since You Care* guides on topics such as “Choosing an Assisted-Living Facility” or “Caring for Someone with Alzheimer’s Disease” are available to caregivers at no cost through the MetLife Mature Market Institute. Go to www.maturemarketinstitute.com to view the guides.

The viewpoints represented in this column belong to the author and are not necessarily those of MetLife.

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