



What to Plan for as Your Parent Ages

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Life transitions often affect our plans for how we use our financial assets. One common transition is assuming responsibility for caring for parents as they enter older age.

To gain some outside perspective on this responsibility, we recently interviewed gerontologist and eldercare advisor, Esther Koch. Esther, who was recognized for her expertise when she was selected as a delegate to the 2005 White House Conference on Aging, runs a business focused on educating adult children on how to plan for caring for aging parents. Her insights were helpful for us, and below is a summary of some of her suggestions along with some of ours.

START DISCUSSIONS EARLY

As you transition into this stage of life, it is important to recognize that aging is an emotional and family-related issue. Often, family dynamics create roadblocks to what could be successful aging – which Esther eloquently described as “putting life into your years, rather than years into your life.” It takes courage on the part of both the parent and child to get past denial that aging is taking place, and that care is likely to become an issue at some point in the future.

Unfortunately, aging is a process of decline that usually happens through abrupt triggering events, rather than in a smooth line. Therefore, it is never too early to start talking about care planning – and best to have these discussions when your parent is well. Discussions about future needs will be easier before these events take place, when your parent is not yet dependent on care.

REVIEW AND UPDATE LEGAL DOCUMENTS

During your discussions, a primary topic to address is your parent’s legal documents. The following is a list of basic documents, and some suggestions for what to emphasize in your review:

- Advance Health Care Directive (AHCD): This document outlines how your parent would like specific potential health issues to be addressed, and then names a person to act as the agent of the directive, as well as backup agents.
 - Special consideration should be given to who is named as an agent – sometimes the best person for this job isn’t the person handling financial assets, but someone specifically suited to carrying out and respecting your parent’s health care wishes.
 - Families without this directive, such as the publicly-known case of Terri Schiavo, can suffer through very difficult medical decisions. Therefore, it is truly a gift your parent can give your family by completing this document.
- Power of Attorney (POA): This type of document names a person in addition to your parent who has the right to authorize financial transactions for him or her on named assets or accounts. A few important things to know about POAs, and to know about your parent’s POA:

- There are different types of POAs: Some which “spring” into action upon specific health events, and others that are “durable” to cover any situation.
- Some allow for the sale of real estate, or the transfer of ownership of real estate to a trust, and some do not.
- Many financial institutions require their own specific Power of Attorney form to be completed in addition to one a lawyer may have created.
- Trusts: As you likely know, trusts are legal entities that can own assets and designate trustees and successor trustees to control the management and distribution of those assets according to the rules of the trust. Here are some basic things to check with your parent about his/her trust(s):
 - Have the assets, such as bank accounts, investment accounts, retirement beneficiaries, or property, been renamed or “registered” in the name of the trust (or are they still in the name of your parent)?
 - Are the designated trustee(s), and successor trustee(s), up to date with current wishes, and are they the most appropriate people to handle financial decisions for your parent?
 - If your parent is the current sole trustee of the trust, would he/she be comfortable naming one of the intended successor trustees as a co-trustee (which can be a more easily accepted form of recognized authority by financial institutions than a power-of-attorney)?
 - Are the trust’s rules about the eventual distribution of assets up-to-date with current wishes?
 - Does the trust plan for a tax-efficient transfer of assets for a large estate, possibly with the use of a bypass trust if your parent is married, and are those instructions up to date with current estate laws?
- Wills: Although most assets may be covered by a trust, a will describes your parent’s intentions for non-financial assets, personal effects, etc. Also,
 - A will can have a “pour-over” clause, which would help gather any assets not yet registered in the name of the trust and “pour” them into the trust’s control.
 - A will names a specific person as the “executor” of your parent’s estate, which will be the person responsible for handling all the steps of distributing the estate according to the instructions in the will. Again, this person should be carefully selected.

PREPARE FOR THE COSTS OF LONG-TERM CARE

Although this may be a difficult discussion, it is important to talk about how the costs for care that your parent may need in the future will be covered. Esther feels that many people are woefully under-prepared for the high costs of long-term care, especially in today’s world where the model of caring for parents in our homes is not as easy as it once was. Aging parents are living longer, and children of aging parents are working longer, so the financial and physical burden of keeping a working spouse home to provide care is too great for many families to bear.

The first trigger for needing some assistance is often the loss of some skill or awareness, such as processing mail, preparing meals, using the telephone, handling finances, managing medications, etc., which are considered the "incidental activities of daily living." Later, the triggering events for needing long-term care would be the loss of more basic "activities of daily living," such as bathing, dressing, eating, walking, etc. Hiring someone to provide assistance with these functions would not be covered by medical insurance, but the loss of "activities of daily living" can trigger cost coverage by long-term care insurance.

The cost of long-term care can be high, and it increases as more assistance is required. Here are some examples:

- Home aide, providing assistance and care in the home can cost \$25 per hour. On a 24 hour-a-day / 7 day-a-week basis, that is over \$16,000 per month. This does not include the cost of food, housing, maintenance, etc.
- Assisted living, which provides housing, maintenance, meals, and a social environment, can cost \$2,500 - \$5,500 per month in California. The providers at the higher costs often have bigger rooms, nicer grounds, or provide more care services. Adding supplemental care or attention may involve extra fees.
- Skilled nursing, which provides housing, maintenance, meals, and social activities along with a level of medical care requiring a higher level of licensing. This level of care can cost \$165 - \$350 per day in California, or about \$5,000 - \$11,500 per month. At this level of service, there can still be a need to add supplemental care or attention (at additional costs).

To cover these costs, you may have multiple sources, including your own or your parent's savings and financial assets, health insurance, long-term care insurance, and/or possibly a pension or other income. The bottom line is that it's important to recognize that the costs of long-term care can be significant, and they will likely only go up from here. It's a good idea to start discussions now about which resources will be the best to target for these future needs. (For a list of Esther's suggested educational resources on long-term care insurance, please visit the "Resources / Resource Links" section of our website, www.lgam.com.)

DETERMINE THE BEST LIVING SITUATION

In the evaluation of the best living situation for your parent, it is important to consider his or her social situation, because studies have found that social isolation can lead to depression and overall diminished health. Esther has also noted that some studies have even shown a link between isolation and Alzheimer's. For this reason, it is sensible to determine ahead of time what living situation might be the best one for your parent.

In addition to physical health Esther says that one of the keys to successful aging is emotional well-being. Social support is the most important component in improving one's emotional health, and having a positive attitude and a sense of humor also help. All of these can be fostered by being around positive people. Although many people think they would like to live at home as they get older, if that means they will be alone much of the time it may not be the best option. Planned retirement communities, or assisted living facilities, may feel less independent, but they can offer more social interaction.

SUMMARY

In summary, it's never too early to begin discussions with your aging parent about their future care needs, an ideal living situation, how costs will be covered, and a review of legal documents. To counter the emotional burden you may feel in the care-planning process, Esther suggests that you think of yourself not as just a caregiver, but also a "facilitator of experiences" for your parent. Plan carefully for how you allocate the time you have together, and don't forget to take opportunities to create special memories.

- Gretchen Hollstein