The New York Times

February 4, 2010

Tips to Avoid Financial Strain With Aging Parents

By THE ASSOCIATED PRESS

Filed at 1:26 p.m. ET

CHICAGO (AP) -- Staying on track to a comfortable retirement isn't only about taking care of your finances and your health. It might involve taking care of your parents, too.

Baby boomers and others saving diligently for their later years are taking bigger risks than they realize if their plans don't include contingencies for aging parents.

''It's really hard to think that your parents are going to need your support,'' says Amy Goyer, family expert for AARP. ''But you really need to think about that and do some planning.''

The more you can look ahead and not wait until you're in a crisis to plan, the better. Your own retirement may be at stake.

An estimated 38 million Americans provide care to an aging relative. The president's proposed budget for 2011 adds $103 million for programs that help elderly adults stay in their homes through in-home services, transportation and other support programs.

Often, though, it's financial support rather than physical care that is needed. That can be just as draining and at least as devastating for older workers who have limited earning years before retirement.

Dave Swoyer, a 52-year-old bank executive from Voorhees, N.J., thought his father was doing all right money-wise. John Swoyer, now 84, lived alone in his own home in a neighboring town and was relatively healthy.

Then one day in 2007 John expressed concern that he might outlive his savings. Doctors said John might live another 12 years and, though he didn't want to be a financial burden, he needed help.

Dave looked at his father's finances and saw they were riddled with high-risk investments, such as junk-bond funds. He turned to his financial adviser for help.

Then Dave did something he realized should have been done earlier: He sat down with his two sisters for a family meeting about what to do when their dad can no longer live on his own.

Today John Swoyer's finances are in better shape and Dave and his sisters are more or less prepared for the next financial or health crisis.

"We've reached kind of an understanding on what may happen and what we would all do," says Dave Swoyer. "I can't imagine having that conversation after a stroke or after a doctor says 'Your father can no longer live alone.'"

Here are some steps to help prepare for when aging parents may need your assistance:

1. HAVE A CONVERSATION WITH YOUR PARENTS.

Don't wait for Mom or Dad to bring up the topic of what happens when they no longer can manage on their own.

Often families are in denial about aging, preventing the conversation from taking place, says Carolyn Rosenblatt, an elder care attorney and author of "The Boomer's Guide to Aging Parents."

Have an open and honest discussion before a crisis occurs. The children need to ask, "Have you thought about the future and what would happen if you couldn't be completely independent?" Ask if they feel OK about their finances and their ability to support themselves indefinitely. Do they have money set aside to pay for home health care or assistance with daily living?

Discuss the circumstances under which it would be appropriate for you to help manage their finances. And make sure they have two basic and essential documents: a durable power of attorney, for financial decisions, and a health care directive or power of attorney for health care decisions.

2. HAVE A CONVERSATION WITH YOUR SIBLINGS.

Talk with siblings about what you may be facing in a few years.

Is anyone going to quit work to care for ailing parents, or take them in? Is an assisted-living home best for all concerned? Is everyone prepared to chip in for home health aid if necessary? How can the caregiving be made fair?

If one sibling is going to live with an aging parent as the primary caregiver, everyone needs to agree on a monetary value for that and what that person will receive. An account could be set up where all contribute a certain amount per month. And a lawyer could draw up caregiver contracts.

Everyone may not agree on all issues or be able to contribute equally, but the earlier you confer the better.

The Swoyers found this step challenging because of the siblings' vastly different financial situations. In the end, the consensus was they would take turns with caregiving duties at their father's home.

"It may be an uncomfortable conversation," Dave says of a chat with siblings, "but later it will be emotionally charged because of illness and competing wishes among the siblings over what do to."

3. ASSESS PARENTS' FINANCIAL CONDITION.

Get familiar with your parents' financial health. Know the sources of their income -- pension, Social Security or other retirement account -- and the amounts. Consider having them list you on their accounts as it may be necessary in a crisis.

Do they have other means available to raise cash in a pinch in order to stay in their home or pay bills, such as a reverse mortgage? Do their investments need to be reallocated to make their level of risk more age-appropriate? Seek out a financial adviser to help resolve these issues.

4. GET A GRIP ON COSTS.

Know what Medicare covers and the costs of what it doesn't. Many people are shocked to learn it does not cover in-home care, among many other expenses.

Costs can add up fast, as reflected in average costs based on 2008 data from the Department of Health and Human Services: $29 an hour for a home health aide, $59 a day for care in an adult day-care center, $18 an hour for homemaker services, $3,008 a month for a one-bedroom unit in an assisted-living facility.

Having parents move in with one of the children, or everyone pitching in for in-home assistance, can help keep the costs from derailing everyone's retirement plans.

5. PLAN FOR LONG LIVES.

Make financial and other plans with the expectation that older parents will live to a ripe old age. Be sure a financial adviser structures their investment portfolios accordingly -- perhaps calculating life expectancy as 100, says Rosanne Roge, a registered financial gerontologist in Bohemia, N.Y. A 70-year-old has a 47 percent chance of living to 85 and a 3 percent chance of reaching 100, according to actuary Jim O'Connor of Chicago consulting firm Milliman Inc.

It may also mean fixing up their house so they can comfortably remain there longer, which could ultimately ease their children's financial burden too. Stairway lifts, widened doorways and other modifications to accommodate people with physical disabilities are tax-deductible. Check with a tax expert regarding other home improvements.

Make sure they have long-term care insurance, if they're not too old or infirm to qualify at affordable rates. Buying a policy on their behalf may help protect your retirement funds in the long run.

Most important of all, don't duck preparing for a life event -- and costs -- that may be inevitable.

"The most important thing is to recognize that it's likely that elders who live a long time are going to need some help," says Roge, "and you have to pay for it some of the time."