

The challenges of dealing with elder care and long-term care conversations

The discussions families can't afford postponing

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Key highlights

- Long-term care (LTC) is just one segment, though a very important segment of total elder care planning
- Eleventh hour planning can result in mistakes and lost opportunities for a better outcome
- The potential need for LTC increases as we age,¹ yet too many families have no LTC plan in place
- Questions a family may want to consider in planning for LTC needs

Elder care planning is a comprehensive strategy that helps define a senior's wishes and assists designated caregivers and/or advocates in handling the physical, personal and financial affairs of a senior aging into the last phases of life. Ideally, family members (or designated friends) should be included in the planning stages, particularly when they will be participating as a caregiver or advocate for the senior. Long-term care (LTC) is just one segment, though a very important segment of total elder care planning. Unfortunately, families often avoid discussing the topic of LTC as well as other elder care issues; but in reality, these may be the most important discussions a family can have.

Don't delay in planning

Eleventh hour planning can result in mistakes and lost opportunities for a better outcome. Discussing LTC and elder care issues takes time, and should be done a step at a time and with compassion. It's important to discuss who will be in charge of dealing with the parent's needs as their ability to manage their own lives starts diminishing. Some families may spread out the responsibilities, while others may allocate most of the care-giving or advocacy duties to one or two family members. But it is important that everyone is clear who will be doing which tasks. Family dynamics can be delicate, and without a well laid-out plan that everyone is comfortable with, sibling and in-law relationships can easily fall into a state of resentment and in-fighting.

Keep in mind that choosing the right location for the family meeting may be vital in some instances for an orderly discussion to occur. A neutral meeting place should be a consideration, which may help eliminate any sense of a "home advantage" one family member may feel another might have. When conversations take place while parents are still able to make their own decisions, the adult children should recognize that the purpose of these discussions is to help parents develop the best plan possible

— not to take over the decision-making process for them. If parents have lost mental capacity — forcing children to make the decisions — parents should still be allowed as much involvement as possible and with thoughtfulness of maintaining their dignity.

Elder care checklist

As parents age, a plan should be in place to help jump-start family members who will take over financially; and safeguards should be in place against serious misjudgments a parent might make that could result in financial and emotional consequences. The plan could be implemented temporarily during a recoverable illness, or permanently implemented due to decreased capacity or a LTC event. It's important that necessary legal documents are up to date, and that copies of these documents, as well as other pertinent information relating to identification, health and finances are in the hands of the family member that will be acting as an advocate; otherwise, there could be significant delays when the time comes for children to step in.

Some people are not comfortable sharing financial information with their adult children; however, parents should disclose names and locations of any banks where accounts are held as well as contact information for their financial advisors. With this information and the proper documents in hand, the advocate who will be in charge of their loved one's financial affairs can quickly locate the accounts when the time comes to take over.

Below is a chart outlining some of the crucial information that should be organized, up to date, and easily available to the person who will be handling the affairs of their parent or other loved one.

Financial Checklist	Health Care Checklist	Parent's Advisor	Basics
Wills	Living will	Financial advisor	Driver's license or state-issued ID
Trusts	DNR (do not resuscitate order)	Lawyer	Insurance cards
Durable financial power of attorney	Health care power of attorney	Banker	Medicare, VA, Medicaid cards
Life insurance and annuities	HIPAA release form	Accountant/Tax advisor	Phone numbers of friends
Investments	Health insurance policies	Religious counsel	Safe deposit box
Bank accounts	Long-term care insurance	Doctors	Marriage records
Charge cards	List of medications	Dentist	Military records
Burial plots and prepaid funerals	End-of-life wishes (discussion)	Pharmacy	Copies of birth and death certificates

Long-term care is part of the planning

The potential need for LTC increases as we age,¹ yet too many families have no LTC plan in place. These conversations can be uncomfortable and thus often take place too late — after a parent's poor health may no longer qualify them for LTC coverage, or with delay that places the parent at an age where premiums for LTC insurance solutions are no longer affordable. Postponing the conversation and the planning that goes with it can potentially have a huge negative impact on the entire family.

Studies show that most people would like to remain in their homes as long as possible and “age in place”.² But it takes planning and resources in order to have such a choice. Home health care can be the least expensive as well as the most expensive type of LTC, thus planning ahead provides the best chance of being able to implement a parent's preferred plan of care.

It's not about risk, it's about consequences

People often get caught up in thinking about the risk of needing LTC, then try to justify why they will not be in that risk pool. Some acknowledge they may need care, but again place themselves in the group that “won't need care for very long”, thus plan for their family to handle their care. And while the spouse may understand they are the backup plan, children are often not told they are being counted on to provide care — it's just “assumed” they will step up and take care of their parent. Some adult children may be in a position to assist — but such a plan could play out in physical, financial and/or emotional disaster for other adult children.

Even when there is acknowledgement that LTC could be a part of a parents last stage of life, some families attempting to save money often think they can handle a loved one's care themselves. Mom cares for dad, and then the adult children care for mom. Sounds good on paper, but there are many missteps that people do not think about. Families should be prepared for the consequences of potential decisions they may make, therefore there are many questions a family should think about and discuss.

Questions a family may want to consider in planning for LTC needs

Individuals and Couples

- Do you have the physical ability and training to give quality care to your spouse?
- Have you thought about how you would pay for care should it ever be needed?
- Do you have any idea how much long-term care services cost in the area you live?
- Can you afford to stay in your home and pay for care? How long would your assets last?
- How would paying for long-term care affect the financial security of your spouse?
- Are you aware that health insurance doesn't cover LTC expenses?
- Medicare — assuming you could meet the qualifications — only covers skilled care for up to 100 days under limited circumstances and with significant co-pays after day 20? How will you pay for care after that?
- Are you aware that Medicaid is designed for

people who have little income or countable assets, and if you do qualify, your care choices are limited?

For people assuming their children will provide their care, here are additional questions to consider

- Are your children aware of your intentions?
- Do you have a child that can financially afford to quit work or substantially cut work hours in order to care for you?
- Will your child be able to juggle care-giving duties with their own family responsibilities?
- Where do your children live? How do you feel about leaving the community and friends you are accustomed to in order to move where your child lives so they can care for you?
- Which child will you appoint to handle your affairs if you can no longer do so?

Adult children may also want to consider the following

- Do you have the physical ability and training to give quality care to your parents?
- Can you financially handle quitting your job, taking a leave of absence or reduce work hours in order to create time to care for your parent?
- How will time away from your own family affect your spouse and children?
- As your parents run out of money, have you considered that your siblings may not agree on what is fair in regard to a split of expenses when supplementing the cost of a parent's care?
- When one adult child has all powers of attorney, other siblings may not agree with how the parent's finances or care are being handled. Do you have a plan in place for family discussions?
- Dissension may occur between family members when care falls primarily on just one or two individuals. Is there a respite plan in place to relieve the caregivers?

Give your child the gift of permission

Another reason for advanced planning is to protect adult children from feelings of guilt as plans for a parent's care are implemented. As an elder person declines in health, whether mentally or physically, it is common for that person to lose their sense of logic — commonly wanting to “go home” even when that is no longer possible. When plans are laid out in advance that maps out the wishes of the parent, the adult children may be spared from agonizing

whether they are making good decisions for their parents, because mom and dad participated or fully planned out their future while still fully capable of making sound decisions.

However, not all plans play out until the end as intended. Parents should consider that they may not remain of sound mind, and should provide their adult children with a potential back-up plan. In addition to advanced planning, the greatest gift parents can give adult children is permission to veer from the plan if needed when parents are no longer able to make sound decisions. This permission can help the adult child get through difficult emotional times when hard decisions must be made - knowing their parents instructed them to do what is needed to provide their parents the most appropriate care.

Funding the LTC plan

When discussing LTC planning, you may want to discuss how to fund your plan with your advisor. Make sure to discuss the type of care you would prefer to receive, the benefit payment option you would prefer, and any underlying concerns you may have regarding the purchase of a policy.

Long-term care insurance solutions

Traditional LTCi policies

Provide the least expensive insurance, though premiums costs are not guaranteed. Benefits are only for covered LTC expenses and are usually reimbursement plans. These policies are generally the least expensive, but include a “use it or lose it” risk of not getting a return on premiums paid; but they may provide coverage at a more affordable cost.

Linked benefit LTC policies

Are for people looking specifically for a LTC solution with features more similar to a traditional policy. They are generally paid for by repositioning an asset or paying premium over a more limited period of time. Premiums are guaranteed, and there is a death benefit that will always return to beneficiaries at least the premiums paid if LTC benefits are not used.

LTC riders on life insurance

Are for people who still have a life insurance need now, but would benefit from a policy that can transition to LTC coverage later. They may also be for people needing a LTC solution with longer premium schedules. Some policies offer guaranteed premiums. The death benefit is accelerated if LTC needs arise, and pays any unused amount as a tax free benefit to the beneficiaries.

Keep in mind that all LTC solutions have regulatory and contract qualifications that must be met before LTC benefits may be received.

LTC benefit models

Long-term care benefits are generally paid using one of the following benefit models:

Cash Indemnity	Indemnity	Reimbursement
The insurance company places no restrictions on how benefits are used. For example, an immediate family member could be paid to provide 100% of the insured’s care needs.	Full available benefits are paid per the policy provisions but generally, professional services meeting the minimum standards of the plan of care are required. The insurance company generally places no restrictions on how leftover benefits not needed for care are used.	Only actual qualify costs of care are reimbursed up to the policy benefit limit. Bills and receipts must be submitted by either the insured or coordinated directly with the care provider. The policy will generally have limitations on ancillary benefits that are covered.

Putting your options and your plan together

Example #1

This individual is looking for ample LTC coverage and wants to be able to pay her daughter to be her caregiver. For this person, a linked benefit policy with cash indemnity benefits may provide the best solution since the policy has various policy features to choose from that allows her to plan for the coverage she desires — and with cash indemnity, the daughter can be paid to provide care.

Example #2

This individual is afraid that if he purchases LTC coverage, he will never get his money back if care is not needed, or get a decent return for premiums paid. This person may be better served by a life insurance policy with a LTC Rider. This type solution can provide LTC benefits that match the death

amount, and provide a decent rate of return on the death benefit regardless whether LTC is needed or not. The main benefit of this solution is that any unused portion of the life insurance death benefit will be paid to the beneficiary, eliminating the risk of “leaving money on the table.”

In summary

Discussing LTC solutions with your financial or insurance professional is a great beginning in addressing this crucial need to plan. A well thought-out strategy that includes both elder care and long-term care planning will help families work together with a solid dynamic and ensure people in need receive better care without sacrificing the health or financial well-being of a spouse or adult child caregiver, thus helping to maintain a longer, better quality of life for all concerned.



¹ Council on Aging – “Should I Buy Long Term Care Insurance?”, September 2016

² The New York Times, Personal Health – “Aging in Place” – Jane E. Brody, May 2, 2016

Keep in mind that as an acceleration of the death benefit, the long-term care rider payout will reduce both the death benefit and cash surrender values. Make sure life insurance needs will still be met, even if the rider pays out in full. Costs for long-term care vary by person, and there is no guarantee the rider will cover all long-term care costs. The long-term care rider may be known by different names in different states, may not be available in every state and has an additional charge associated with it. A life purchase should be based on the life policy, and not optional riders or features. The cost of a rider may exceed the actual benefit paid under the rider.

Be sure to choose a product that meets long-term life insurance needs, especially if personal situations change (for example, marriage, birth of a child or job promotion). Weigh the costs of the policy, and understand that life insurance has fees and charges that vary with sex, health, age and smoking status. Riders that customize a policy to fit individual needs usually carry an additional charge.

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