

# GETTING FISCALLY FIT

## Financial Matters for Later Life

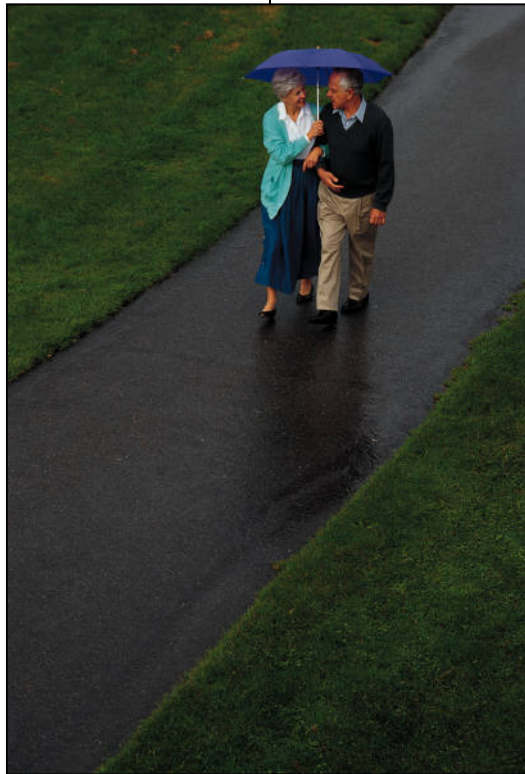
### Financial Security Goals for Later Life

All family members involved in making or implementing later life financial decisions need to reach a common understanding about what is important to each member. Adult children who have never been involved in helping their parents with financial decisions may find themselves in new roles as their parents age. Some families talk very little about money. Personal financial matters are considered to be private and confidential, even between generations of the same family. Other families openly share information about how much money is earned, how much is kept in bank and brokerage accounts, the value of major assets, and how family members' estates will be distributed.

To facilitate a common understanding of family members' attitudes, values, and goals regarding financial matters in later life, complete the worksheets titled, "Financial Security Goals for Later Life." One worksheet is for later life adults, the other is for adult children of later life adults.

Then discuss openly everyone's responses to the statements on the worksheets. The goal of the discussion is to understand what each person believes and expects, and to reach a

common understanding on how financial issues will be handled in the future. Family members are encouraged not to force their beliefs on other members, but instead to listen carefully and reach an understanding that respects the values, goals, wishes and priorities of everyone involved.



### Ideas for Helping with Financial Management

People change as they age. Sometimes, everyday financial practices will need to change as well. A few ideas that may make everyday financial management easier include:

- Have checks, such as social security and pension checks, deposited directly to a checking or savings account instead of being mailed to the home;
- Have duplicate copies of bills or financial statements sent to a family member or trusted friend;
- Arrange for automatic payment of regular bills, such as mortgage or utility bills;
- Give a family member or trusted friend authority to sign checks so that person can pay bills;

- Designate a family member or trusted friend to serve as the representative payee for Social Security payments;
- Open a joint account with a family member or trusted friend to pay everyday bills; and
- Designate one person with a power of attorney to handle financial and legal matters.

Each of these ideas has advantages and disadvantages which should be discussed with an attorney or financial advisor. Needs and solutions will vary with each family. If family members do not live nearby, the local area agency on aging where the older family member lives can provide referrals for supportive services.

## Housing Options

For most people, the big unknown that will influence many of their choices is the quality of health during later life. To a large extent, a person's health, as well as his or her financial status and the types of facilities that are available in the community, will be the major factors in deciding where to live. Below are some options to consider when living independently may no longer be possible:

### Staying at home with help

There are many community services that make it possible for older people to live safely and comfortably in their homes. Senior centers, adult daycare centers, friendly visitor programs, Meals on Wheels, transportation services, homemaking services, home health care, and personal emergency response systems are some of the services that help older people remain in their homes. In addition, the family home can be modified to improve safety and comfort.

### Moving in with adult children

The community services mentioned above may also be useful for those who move in with their children. Before a decision to move to a child's home is made, consider the following questions:

- Is there enough room for privacy for both the elderly parent and the family of the adult child?

- Does the adult child have time to provide care or will it mean a change in employment or the way time is spent now?
- Do family members of each generation get along with each other?
- Are other adult children willing or able to help in some ways?

### Residential Choices

If remaining at home is not practical, several other residential choices may be available in the community. The residential choices offer the advantages of security, social interaction, and relief from home maintenance.

*Retirement communities* – for people who are independent and need little or no help with daily living activities. Meals, linen service, housekeeping, social and cultural activities, and transportation are typical services that are provided.

Moving to a retirement community offers a living environment with people of the same age and interests. For some, this may be an advantage, while others may miss the interaction with younger people. The living units can be individually owned homes or condominiums, or rental apartments.

*Senior subsidized housing* – for older people with low incomes who are independent and need little or no help with daily living activities. This housing generally offers few services, but has handicapped accessible apartments. Sometimes transportation and medical services are available

*Assisted living facilities* – usually offer all the services of a retirement community, plus help with daily living activities, but not to the extent required in a skilled nursing home. Some assisted-living facilities can be found in “family-style” homes that are state licensed. These “board-and-care,” “residential care,” or “adult family care” homes can vary widely in the quality of care and types of services they offer. As with any housing choice, the facility should be carefully investigated before a decision is made.

*Nursing homes* – offer the highest level of care, including comprehensive medical and personal care. Although few people would choose to live at a nursing home, it may provide the best alternative if needs are acute and care is needed around the clock. A good nursing home will provide more than just medical care and assistance with personal care. Look for a home that provides intellectual and physical activities and opportunities for social interaction.

*Continuing care communities* – residents enter the community when they are still independent and move to higher levels of care, as needed, within the same community. These residences are offered on both a straight rental basis or may require hefty entrance fees; \$100,000 or more would not be uncommon, with additional monthly fees. Some communities guarantee nursing home care at no additional charge, while others charge on a fee-for-service basis. In communities with large entrance fees, the housing unit often reverts back to the community when the resident dies and the heirs have no claim to the unit. In other instances, the heirs are responsible for selling the unit, which may or may not be difficult. Continuing care communities are established by both for-profit and not-for-profit organizations. Some developers have failed, so it's important to check out the financial status of the facility before putting down a large entrance fee or purchasing a unit. Have an accountant and lawyer look over any contract being considered to be sure the facility's finances are sound.

## Funding Long Term Care

During mid-life, people need to decide how they will fund their possible long-term care needs. There are four sources of funds for long term care:

Government-funded **Medicaid** (Medical Assistance) will pay for long-term care for low income people who have used up basically all of their assets.

**Medicare** will cover skilled medical care costs, however most people do not realize that for extended care in a nursing home, Medicare pays nothing. Medicare and medigap insurance only cover skilled and rehabilitative care in

nursing homes after a hospital stay of at least three days. Extended nursing home care is not covered by health insurance, preferred provider organizations, HMOs, or Medicare because extended care is not defined as medical treatment; it's primarily for personal care.

**Personal Savings** – knowing that long term care may be necessary, many families carefully plan and save to meet these needs. Using personal assets to meet later life needs is one way to insure that family members will receive the care they need. Some families protect their savings and investments by purchasing long-term care insurance.

**Long-term care insurance** – covers extended custodial care at home or in a nursing home facility. Long term care insurance is appropriate for those people who have too many assets to qualify for Medicaid, but do not want to use all or some of their personal assets to pay for long term care. Features to compare when choosing a long-term policy include:

- Level of daily benefits – how much it will pay per day
- Elimination period – the amount of time, usually in days, before payments begin
- Trigger that begins the payment of benefits – usually based on the inability to perform a certain number of activities of daily living
- Range of care facilities – are a variety of options included, such as home care, adult day care, assisted living and various levels of nursing home care?
- Benefit period – length of coverage; most people stay in a nursing home less than four years.
- Premium – price of the policy. Only buy one if you can afford a good one and only buy it if you can afford to pay for it for the rest of your life.

## Medical Care Decisions

Adults of all ages need to give their families advance directives about the kind of medical care they do or do not want and who they want to make those decisions. These instructions can be communicated through two documents:

Living Will – describes the type of treatments you want or do not want if you become terminally ill.

Health Care Proxy, also called a durable power of attorney for health care – designates someone as the decision maker for your healthcare decisions if you are unable to make them. This document allows your proxy to make decisions about any situation, not just a list of treatments, as found in a living will.

These documents can be obtained from an attorney, as well as other sources. It is recommended that both documents be

completed, because each is important for specific situations. If you move to another state, both documents should be signed, dated and witnessed again.

As families look ahead to the changes that aging will bring, there is a need to communicate our expectations, goals and desires to those who will help on this journey. Finances, housing, healthcare and long term care are complex later life issues. Matching our goals to the best choices available will help families move more easily through the changes that lie ahead.

The Center for Personal Financial Education is an educational resource and research center whose mission is to advance the adoption of sound personal financial practices by developing and delivering personal financial education programs and conducting related research. The Center, established in 1996, is a joint venture between the University of Rhode Island and the Consumer Credit Counseling Service of Southern New England.

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## Financial Security Goals for Later Life

### Worksheet A: For Later Life Adults

What is most important to you when thinking about financial security issues in later life? If you have a spouse, do you know what is most important to him or her? Have you taken time to think about, share, and discuss your goals? Do your children or other family members who might be involved in carrying out your wishes know what is important to you?

Knowing what is and isn't important can help guide decisions about which alternatives to consider when choosing and financing housing and healthcare. The following six goals are often identified as important when making decisions about later life finances:

1. Remaining financially independent
2. Maintaining privacy
3. Maintaining control over personal life decisions
4. Relying on family members
5. Using government resources
6. Leaving an inheritance

Many people just want to know, "What is the best alternative?" But what's best depends on what is most important for the family members involved. Sorting out what is most important means thinking and talking about very personal attitudes and beliefs. For most people, deciding what is important goes beyond dollars and cents

and knowing what is legally allowed. Regretfully, many people fail to sort out what is most important to them when making decisions about the use of finances in later life. As a result, misunderstanding, wrong assumptions, and conflicts among family members can develop.

Not everyone will have the same goals. First, take time to decide what is important to you. Then compare your answers and priorities with your spouse or other involved family members. It is *very* common for parents to think quite differently than their adult children about what is important. Finding out where you agree or disagree can help guide future decisions.

The following statements will help you decide how you feel about the six financial security goals. There may be other goals you want to accomplish that need to be considered, too. This worksheet is intended to help you decide which goals are most important and which are less important.

Read each statement on your own. Circle your degree of agreement or disagreement with each statement without discussing it with anyone else. After you have finished all the statements, then discuss your answers with family members. If the question does not apply to you, leave it blank.

This worksheet was adapted from materials developed by Marlene S. Stum, Ph.D., "Critical Conversations About Financing Long Term Care: Can We Talk? Identifying Financial Security Goals for Later Life." University of Minnesota Extension Service, St. Paul, MN, 1999.



**Goal 3: Maintain Control**

		Agree	Disagree
1	Planning in advance for long term care “what ifs” gives me some peace of mind.	←————— ————— —————→	
2	It’s impossible to predict or plan ahead for financing care, I’d rather wait and see.	←————— ————— —————→	
3	I’m willing to take the financial risk that I won’t need expensive long term care.	←————— ————— —————→	
4	No matter what my physical health, I want to be in charge of my finances.	←————— ————— —————→	
5	I’ve shared my wishes with others about how I want my money to be used.	←————— ————— —————→	
6	I have someone I can trust to make my financial decisions if I’m not able.	←————— ————— —————→	
7	It’s important to put my wishes in writing so my financial wishes will be carried out.	←————— ————— —————→	
8	I can trust family members to carry out my wishes, even if they might not agree with them.	←————— ————— —————→	
9	If I give money to others, I want to have a say in how it will be used.	←————— ————— —————→	

**Goal 4: Rely on Family Members**

		Agree	Disagree
1	If I can no longer pay for my care, I expect my family members to help pay the costs.		
2	There are limits to how much my children will be able to help financially with the costs of my care.		
3	I would rather have family members pay for my care than rely on the government to pay.		
4	I have family members who are willing and available to provide unpaid care.		
5	I have family members who are willing to provide care for some type of pay or reward.		
6	I would like to involve family members in decisions about my long term care.		

**Goal 5: Use of Government Resources**

		Agree	Disagree
1	It feels good to know Medical Assistance (Medicaid) will pay for my long term care when my resources are basically gone.		
2	If I need long term care the government should pay, no matter what my income or assets.		
3	It's important to me to be able to transfer my assets to others, within the allowable limits, to be eligible for Medical Assistance (Medicaid).		
4	As a taxpayer, it is my right to use government programs to pay for my long term care.		
5	It is important to know if I would meet the eligibility criteria for government programs which might help pay for my care.		
6	I worry about what others will think if Medical Assistance (Medicaid) is helping pay for my care.		



Goal 6: Leave an Inheritance		
		Agree <span style="float: right;">Disagree</span>
1	Protecting my life savings is important so I can leave an inheritance to others.	←————— ————— ————— —————→
2	Protecting my home is important to be able to leave it to others.	←————— ————— ————— —————→
3	I'd like to reward family or other caregivers with an inheritance.	←————— ————— ————— —————→
4	It's important to me to know that not all of my life savings will go to pay for my long term care.	←————— ————— ————— —————→
5	I'd like to leave an inheritance, if my health cooperates and my life savings are not used to pay for care.	←————— ————— ————— —————→
6	I'd like to leave an inheritance, but not if I have to give up control over my finances while I'm alive to do so.	←————— ————— ————— —————→
7	Giftng to family members while I'm alive is one way I would like to leave a legacy.	←————— ————— ————— —————→
8	I know my children and/or grandchildren expect to receive an inheritance.	←————— ————— ————— —————→
9	Decisions about my life savings are mine to make, not other family members.	←————— ————— ————— —————→
10	Contributing to my children's and/or grandchildren's education should be considered a major part of their inheritance.	←————— ————— ————— —————→



## Financial Security Goals for Later Life

### Worksheet B: For Adult Children of Later Life Adults

What is most important to you when thinking about your parents' financial security issues in later life? Do you know what is most important to your parents? Do your parents know what is most important to you? Have you taken time to think about, share and discuss goals? Do you, or other family members who might be involved in carrying out your parents' wishes, know what is important to them?

Knowing what is and isn't important can help guide decisions about which alternatives for choosing and financing housing and healthcare should be considered. The following goals are often identified as important when making decisions about later life finances:

1. Remaining financially independent
2. Maintaining privacy
3. Maintaining control over personal life decisions
4. Relying on family members
5. Using government resources
6. Leaving an inheritance

Many people just want to know "what is the best alternative?" But what's best depends on what is most important for the family members involved. Sorting out what is most

important means thinking and talking about very personal attitudes and beliefs. For most people, deciding what is important goes beyond dollars and cents and knowing what is legally allowed. Regretfully, many people fail to sort out what is most important to them when making decisions about the use of finances in later life. As a result, misunderstandings, wrong assumptions, and conflicts among family members can result.

Not everyone will have the same goals. First, take time to decide what is important to you. Then compare your answers and priorities with your parents or other involved family members. It is very common for parents to think quite differently about what is important than their adult children. Finding out where you agree or disagree can help guide future decisions.

The following statements will help adult children begin to identify their expectations and goals regarding their parents' later life finances. Read each statement and decide how strongly you agree or disagree. If the question does not apply to you or your situation, leave it blank. It is best if you answer the questions on your own before discussing them with others in your family.

This worksheet was adapted from materials developed by Marlene S. Stum, Ph.D., "Critical Conversations About Financing Long Term Care: Can We Talk? Identifying Financial Security Goals for Later Life." University of Minnesota Extension Service, St. Paul, MN, 1999

**Goal 1: My Parent(s) to Remain Financially Independent**

		Agree	Disagree
1	For my parent(s) to have sufficient income to pay for the cost of care.	←————— ————— —————→	
2	My parent(s)' life savings should be used to pay for the cost of their care if needed.	←————— ————— —————→	
3	Selling my parent(s)' home to pay for care if they could no longer live there would be acceptable.	←————— ————— —————→	
4	It is important to me that my parent(s) pay their own way.	←————— ————— —————→	
5	Either of my parent(s) should be financially secure if the other qualified for Medical Assistance.	←————— ————— —————→	
6	One or both of my parents should have long term care insurance to help pay for care if needed.	←————— ————— —————→	

**Goal 2: My Parent(s) to Maintain Privacy**

		Agree	Disagree
1	My parent(s)' finances are rarely discussed with family members.	←————— ————— —————→	
2	My parent(s) have received financial advice from attorneys and/or financial planners.	←————— ————— —————→	
3	My parents often consult with and involve their children when making financial decisions.	←————— ————— —————→	
4	My parents are likely to inform us, but not involve us, in decisions they make.	←————— ————— —————→	

Goal 3: My Parent(s) to Maintain Control		
		Agree <span style="float: right;">Disagree</span>
1	My parents typically plan in advance to protect themselves financially.	←————— ————— ————— —————→
2	My parent(s) are more likely to "wait and see" versus plan in advance.	←————— ————— ————— —————→
3	My parent(s) are risk takers and will take a chance they won't need expensive care.	←————— ————— ————— —————→
4	My parent(s) are not likely to delegate financial decisions no matter what happens.	←————— ————— ————— —————→
5	My parent(s) have shared who they want to make financial decisions if they are not able to.	←————— ————— ————— —————→
6	When they give financial gifts, my parents often suggest how the money should be used.	←————— ————— ————— —————→
7	I would be expected to know and carry out my parents' financial wishes even if I disagreed with them.	←————— ————— ————— —————→
8	No one in my family would want to dictate my parents' financial decisions.	←————— ————— ————— —————→
9	If I give money to others, I want to be able to influence how it will be used.	←————— ————— ————— —————→

**Goal 4: My Parent(s) to Rely on Family Members**

		Agree	Disagree
1	If my parent(s) could no longer pay for their care, I would feel obligated to cover the costs of care.	←————— ————— ————— —————→	
2	I would be willing to make sacrifices in my family's financial security to help pay for my parent(s)' care.	←————— ————— ————— —————→	
3	I would be willing to pay for the extra cost of a private room if either parent was on Medical Assistance (Medicaid).	←————— ————— ————— —————→	
4	I would be willing to give up my job to be an unpaid caretaker.	←————— ————— ————— —————→	
5	I would be willing to contribute as much as I could as an unpaid caregiver.	←————— ————— ————— —————→	
6	I would expect to receive some type of financial reward for being a caregiver.	←————— ————— ————— —————→	
7	I expect to be involved in my parents' long term care decisions.	←————— ————— ————— —————→	

**Goal 5: Use of Government Resources**

		Agree	Disagree
1	Going on Medical Assistance (Medicaid) would mean a loss of pride for my parent(s).	←————— ————— ————— —————→	
2	I feel differently about being on Medical Assistance (Medicaid) than my parent(s).	←————— ————— ————— —————→	
3	My parent(s) should transfer assets to others within the allowable limits to be eligible for Medical Assistance (Medicaid).	←————— ————— ————— —————→	
4	If my parent(s) exhausted their resources and became eligible for Medical Assistance (Medicaid), I would not tell them who was paying for their care.	←————— ————— ————— —————→	
5	My parents are entitled to use government programs for which they qualify to pay for care needs.	←————— ————— ————— —————→	
6	I understand my parents would be entitled to Medical Assistance (Medicaid) if they are not able to pay for their own care.	←————— ————— ————— —————→	
7	Members of my family would agree about the use of Medicaid to pay for long term care.	←————— ————— ————— —————→	



**Goal 6: Leave an Inheritance**

		Agree	Disagree
1	I know my parents have plans to leave their children an inheritance.	←————— ————— —————→	
2	It is important to me to receive some type of an inheritance.	←————— ————— —————→	
3	I know my parent(s) plan to keep their home in the family.	←————— ————— —————→	
4	It is important to me to keep the family home for future generations.	←————— ————— —————→	
5	I understand that if my parent(s) are on Medicaid (Medical Assistance), their estate could be used to help repay the state for the cost of care.	←————— ————— —————→	
6	I realize there may be no financial resources left to "pass on" depending on the costs of care.	←————— ————— —————→	
7	I should provide unpaid care to protect my inheritance.	←————— ————— —————→	
8	My parent(s) should protect their life savings from all going to pay for their care.	←————— ————— —————→	
9	My parent(s) should be gifting to family members while they are alive.	←————— ————— —————→	
10	I would expect to save any gifts received from my parent(s) to help pay for future care needs.	←————— ————— —————→	
11	My parent(s) know how I feel about receiving gifts or an inheritance.	←————— ————— —————→	
12	I know how my siblings feel about receiving gifts or an inheritance.	←————— ————— —————→	