



Debbie Oswald

## Finding financial answers to caring for an aging adult

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**W**ith people living longer and health care costs rising at a staggering rate, caring for an aging spouse, parent, or relative is taking a financial toll on many families. In fact, the *Journal of the American Medical Association* recently found that one third of families caring for a seriously ill relative spend most or nearly all of their life savings. In addition, more and more families are facing this financial, and often emotional, crisis. According to the American Association for Retired Persons, approximately one in four households is now providing caregiving to a relative or friend aged 50 and over.

### What Can You Do?

If you are among this new generation of caregivers, here are some financial strategies that may help minimize the financial impact of caring for an aging adult in your family.

**Plan ahead.** Planning is essential. Consider the person's present and future needs. Will he or she eventually need to move to a nursing

home or other care facility, or require at-home care? Will he or she need help managing finances? Can family members or friends help with caregiving or financial assistance? Discuss these options with the person in question and other family members. Armed with answers, you can find practical solutions and estimate the person's current and long-term financial needs.

**Investigate the person's financial resources.** Review bank accounts, insurance policies, will, living will, investment accounts, retirement accounts, stock certificates, outstanding loans, pensions, and Social Security payments. If the person is still employed, review the employer's benefits plan. Before making any financial decisions, you should also find out the eligibility rules for Medicaid, Medicare, Social Security disability income, Veterans benefits, and local public assistance. If the person qualifies for any of these benefits, it will make a significant difference in the overall cost to the individual and your family.

**Prepare necessary legal documentation.** Has the person taken the proper legal steps? Necessary legal documentation includes a durable power of attorney, living will, health care proxy, and a will. If these steps have not yet been taken, do so as soon as possible. In addition, review any existing documents, including titles and trusts, to

be sure they are updated to meet the person's wishes. These legal documents may save you, as well as the person in question, from financial and emotional headaches later.

**Develop a sound financial plan.** With a clear understanding of the person's needs and financial resources, establish a financial plan that works for the entire family, especially the aging adult. As a part of this process, one should review the person's investment portfolio. Depending on the person's overall health care concerns, it may be wise to invest in lower-risk investments, such as money market accounts or short-term bonds. Finally, plan ahead for possible unexpected expenses, and update the plan on an ongoing basis. For example, a person suffering from Alzheimer's disease may need assisted care. However, if the person has a stroke or heart attack, they may require additional health care services.

**Consider long-term care insurance.** If an aging adult still qualifies for long-term care insurance, consider buying a good personal policy. In some cases, it is far less expensive for family members to pay the premiums for this insurance rather than pay the full cost of the person's future care.

**Understand the tax implications.** Tax laws provide breaks for buying and using long-term care insurance and the use of living benefits from a

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life insurance policy. Caregivers may also be able to claim the adult in their care as a dependent if they provide more than half of their support and satisfy other dependent rules. If caregiving responsibilities are shared among multiple family members, these expenses and deductions may need to be rotated each year.

**Turn to professionals for guidance.**

A qualified financial planner can be an invaluable resource to anyone caring for an aging adult. A planner can establish an appropriate and flexible financial plan, review the person's investment options, assist with cash flow questions or concerns, and explain certain tax consequences. In addition, an attorney may be needed to review legal documents, set up any necessary trusts, and provide guidance in regard to government assistance rules.



The mission of the *Wisconsin Medical Journal* is to provide a vehicle for professional communication and continuing education of Wisconsin physicians.

The *WMJ* (ISSN 1098-1861) is the official publication of the Wisconsin Medical Society and is devoted to the interests of the medical profession and health care in Wisconsin. The managing editor is responsible for overseeing the production, business operation and contents of *WMJ*. The editorial board, chaired by the medical editor, solicits and peer reviews all scientific articles; it does not screen public health, socioeconomic or organizational articles. Although letters to the editor are reviewed by the medical editor, all signed expressions of opinion belong to the author(s) for which neither the *WMJ* nor the Society take responsibility. The *WMJ* is indexed in Index Medicus, Hospital Literature Index and Cambridge Scientific Abstracts.

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