

FINANCIAL PLANNING FOR A LOVED ONE WITH ALZHEIMER'S

The recent death of President Ronald Reagan following his ten-year battle with Alzheimer's disease is a powerful reminder of the need to prepare financially for the care of a chronically or terminally ill loved one.

While Reagan could afford at-home care, many families can't. A chronic or terminal illness such as Alzheimer's can financially devastate not only the ill person's estate, but the caregiver's, whether a spouse, child, sibling, or other loved one. Here are several strategies that can help minimize the financial impact of caring for a loved one suffering from Alzheimer's or a similar progressive disease.

Put estate planning documents in place. Most adults should have basic estate planning documents such as a will, living will, health care proxy, and financial durable power of attorney. Unfortunately, many don't. Certainly at the first signs or diagnosis of Alzheimer's disease, these documents must be put into place if they're not already there. Without them, providing care can become much more legally complicated and expensive. You may need to implement other strategies, too, such as trusts.

Review their financial resources. Talk to the person about their financial resources such as bank and investment accounts, insurance policies including life and long-term care, retirement accounts, employee benefits, and sources of regular income such as Social Security and employer pensions.

This isn't always easy. A spouse who has left management of the household's finances to the spouse who's now ill must assume control even if he or she has weak money management skills. Children assuming financial control also may have to struggle to get an accurate financial picture from a parent who may be reluctant to discuss personal finances or didn't keep well-organized records.

Start planning immediately. The further ahead you can plan for the financial consequences of Alzheimer's, the better. How much care will family members be willing or able to provide? Will you need a third-party bill paying service? Will you be able to afford at-home professional care? Visit assisted living and nursing home facilities well in advance of the need to actually move. Will you move them geographically?

Create a spending plan. Once the needs and financial resources are clarified, create a spending plan that will balance expenses and income. Try to save extra money now for the inevitable rise in expenses down the road.

Review investments. Because of rising cash-flow needs, you may want to readjust the investment portfolio in order to keep a larger portion in lower-risk, easily accessible assets such as money markets and short-term bonds.

Be aware of tax deductions. Non-spouse caregivers, such as a child, may be able to claim the person as a dependent if they provide more than half of their support and satisfy other dependent status rules. Even where caregivers share responsibility, such as among siblings, tax deductions may be available if, as a group, they provide over half of the support. You'll want to consult with a tax expert on this to see what needs to be done to qualify.

Review community and government financial resources. Ideally, families will have sufficient resources of their own to pay for the person's care. But some families may need government or community assistance. Review eligibility rules for Medicaid, Medicare, Social Security disability income, veteran's benefits, and local public assistance. Community resources include Meals-on-Wheels, aging associations, and Visiting Nurses.

Take care of yourself. Caregivers not only make great sacrifices of time and sometimes personal health, but frequently personal financial assets. They may pay for care out of their own pocket or they may cut back work hours or even quit their job in order to care for someone. Caregivers have to be very cautious here. Cutting back work hours or quitting a job, for example, hampers their ability to save for their own retirement and their own future health care needs, or to buy something as valuable as their own long-term care insurance. Too much financial sacrifice means they could become a financial burden on other loved ones years later.

Seek professional help. A financial planner can help improve cash flow, identify tax savings, review investments, and provide overall financial planning. You'll need an attorney to be sure all legal documents are in order. A geriatric care manager can find appropriate living facilities or at-home care.

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