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## The Discussion Families Can't Afford Postponing

Challenges of dealing with elder care and long-term care issues

Shawn Britt, CLU, CLTC  
Director, Advanced Consulting Group  
Nationwide<sup>®</sup>

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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**

Whenever planning takes place at the eleventh hour, mistakes can happen and opportunities are lost. Discussing LTC and elder care issues takes time, and should be done a step at a time and with compassion. Assuming the conversations are taking place while parents are still able to make their own decisions, the adult children first and foremost should understand the purpose of these discussions is to help parents plan and make the best choices 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.

Parents and their adult children should discuss who will be in charge of dealing with the parents' needs as their ability to handle 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 for an orderly discussion in some instances. 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.

### **Elder care checklists**

As parents age, a plan should be in place to help jump-start family members taking over financially, as well as safeguards against serious misjudgments a parent might make that could result in financial and emotional consequences. The plan may only be implemented temporarily during a recoverable illness, or permanently due to decreased capacity or a LTC event; but to avoid delay, it's important that 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. 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, and

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

### Long-term care is part of the planning

The risk of needing LTC increases as we age, 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 insuring LTC, 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 have a huge and potentially negative impact on the entire family.

Most people would like to remain in their homes as long as possible and "age in place". But it takes planning and resources in order to have choices. 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.

### Questions a family may want to consider in preparation for LTC needs

Unfortunately, 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 questions a family should think about and discuss, including:

- Do you have the physical ability and training to give *quality* care to your spouse or parents?
- 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?
- How would paying for long-term care affect the financial security of your spouse?
- How long would your assets last if you were saddled with long-term care expenses?
- Are you aware that health insurance doesn't cover LTC expenses?
- Are you aware that Medicare only covers skilled care up to 100 days under limited circumstances and with significant co-pays after day 20?
- Are you aware that Medicaid is designed for people who have little or no 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 - as well as 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 and have your child care for you?

Adult children may also want to consider the following:

- As the parents run out of money, siblings may not agree on what is fair in regard to the fair split of expenses when supplementing the cost of a parent's care.
- When one adult child has power of attorney, other siblings may not agree with how the parent's finances are being handled.
- Dissension may occur when care falls primarily on one or two family members.

Another reason to plan in advance 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 mental or physical, it is common to lose their sense of logic – most commonly wanting to “go home” even when that is no longer possible. When a plan is 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. A plan laid out in advance is one of the best gifts a parent can leave a child with.

### **Long-term care solutions**

Traditional LTCi policies are one answer to funding solutions for LTC expenses, but many people object to these for various reasons, including the “use it or lose it” risk of never getting a return on premiums paid. However, there are other solutions offered today for insuring the cost of LTC that provide a payout no matter what direction life takes - which include:

- Linked benefit LTC policies – for people looking specifically for a LTC solution and have the ability to reposition an asset or ability to pay premium over no more than 10 years.
- LTC Riders on life insurance – for people who still have a life insurance need now, but would benefit from a policy that can transition to LTC coverage later. Also for people needing a LTC solution with longer premium schedules.

When discussing LTC funding solutions with your advisor, make sure to discuss the type of care you prefer to have, the benefit payment option you would prefer, and any underlying concerns you may have regarding the purchase of the policy. Benefits are generally paid as follows:

- Cash Indemnity – 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.
- Indemnity – full 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 excess benefits not needed for care are used.
- Reimbursement – 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.

*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 fears if he purchases LTC coverage, he will never get his money back, 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 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.

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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