



Ways to Pay for Your Parents' Long-term Care

Paying for long-term care is expensive. According to Genworth Financial's 2019 *Cost of Care Survey*, the median annual cost of a Home Health Aid in the United States is \$52,624. The median annual cost of a semi-private nursing home room is \$90,155.

Long-term care provides non-medical services for adults who can no longer care for themselves. It includes custodial care and assistance with basic tasks of everyday life: bathing, dressing, eating, transferring to and from beds and chairs, toileting, and continence. Long-term care may also include homemaker services such as light housekeeping, meal preparation, shopping, medication reminders, and transportation to appointments.

If your parents need long-term care and self-funding isn't an option, how are they going to pay for it?

Depending on your parents' situation and assets, there are different ways to fund long-term care:

- Long-term care insurance
- Life insurance policy conversions
- Home equity
- Medicare
- Veterans' Administration programs
- Medicaid

Long-term care insurance is private insurance usually purchased when the policyholders were younger and healthier. The insurance reimburses a daily amount, up to a pre-selected limit, for custodial, personal care and homemaker services. If your parents have a policy, review it to determine when the insurance company will begin payments, and what amount and for how long it will pay. In what setting can your parents receive care: only in a nursing home or also at home?

With a **life insurance policy conversion**, the policyholder's in-force life insurance policy is sold to an irrevocable, FDIC-insured long-term care Benefit Account. The account protects the money and makes monthly payments directly to the care provider. The money is available immediately. There are no applications or care limitations.

The equity in your parents' home can be tapped two ways:

A home equity line of credit is secured by the home. The lender determines the maximum your parents can borrow. Your parents can withdraw the money as needed and are required to make monthly loan payments to the bank, maintain the home, and pay property taxes.

Home equity conversion mortgages, referred to as “reverse mortgages,” are available to people age 62 or older. They turn home equity into cash. Your parents do not have to repay the loan as long as they live in the house. The loan is repaid when your parents die, sell the home, or no longer use it as their primary residence. Your parents are responsible for property maintenance and taxes. Before applying, a senior must meet with a counselor from an independent government-approved housing counseling agency to review the reverse mortgage’s benefits, risks and options.

Medicare will pay for home-based long-term care services when certain conditions are met. Your parents must be homebound and their physician must regularly approve a care plan for skilled nursing or skilled therapy. Only then will Medicare pay for home health aide services such as bathing, dressing and toileting for a limited number of hours each week. It does not cover homemaker services.

The **Veterans Administration** has programs for veterans and the spouses of wartime veterans. The VA’s programs will help pay for in-home care, assisted living, and nursing home care. To qualify, the elder must meet the Veterans Administration’s income limitations.

Medicaid is a government-funded medical and long-term care program for low income people. Every applicant is subject to a sixty month “look back” period where Medicaid reviews the senior’s finances and spending over the five years prior to applying. Many seniors spend down their assets to qualify for Medicaid. Due to the complexities of qualifying, particularly the look back period and any gifts that may have been made, it is critical to consult with an elder law attorney in the state where your parents live to help with the application.

With the high costs of long-term care, it is important to know what funding options are available to your parents. Acting now to make a plan will help avoid a crisis later when the care is immediately needed.



Hi! I’m Robyn Young, owner of Money Care LLC, a daily money management service specializing in helping adult children manage their parents’ day-to-day finances. Long-term care is expensive and knowing how to tap into your parents’ resources to pay for it is vital. That’s why I share these ideas to help you in your role as financial caregiver. Please keep in mind, this article provides general information only, and is not intended to provide specific or comprehensive advice. Families and individuals need to seek advice, tailored to their unique situations, from competent professionals.

With over fifteen years’ experience, I serve as a key member of an individual’s caregiving team. I am committed to helping elders maintain as much independence as possible while easing the burden for their caregivers struggling to balance work, family and elderly parents.

If I can help you manage your parents’ financial tasks, let’s talk. Visit my website and send me an email at info@moneycarevt.com to schedule a no-obligation telephone call to discuss how I can help.

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