

# Financial Considerations for Family Caregivers

## Overview

In 2011, *The MetLife Study of Caregiving Costs to Working Caregivers: Double Jeopardy for Baby Boomers Caring for Their Parents*, indicated that working Americans who provide care for their aging parents lose an estimated \$3 trillion in wages, pension, and Social Security benefits when they take time off to do so. Produced in conjunction with the National Alliance for Caregiving and the Center for Long Term Care Research and Policy at New York Medical College, the study reports that individually, average losses equal \$324,044 for women and \$283,716 for men, and that the percentage of adults providing care to a parent has more than tripled between 1994 and 2008, representing 17% of men and 28% of women.

This tip sheet has been prepared to help you consider important financial consequences of caregiving and take precautions to protect your future financial security.

## Key Considerations

### 1. Think twice about leaving your job to provide care as it will impact your lifetime wealth and future employment prospects.

It is very easy to lose sight of your financial needs when you are considering leaving the workplace to perform the rewarding but difficult task of providing care. Before curtailing your working career, it will be crucial to assess the long-term financial impact of caregiving for your aging parents. In addition to losing a paycheck, you could also be missing out on years of service that are required in order to become vested in a defined benefits pension plan or to receive the company's matching contribution in a 401(k) plan or to build Social Security benefits. Continued employment enables you to take advantage of opportunities for saving and accumulating compounded returns. Another consequence of leaving the workplace is the loss of current skills and connections to a professional network that can make it harder to re-enter the workforce down the road.

### 2. Check with your employer to determine what benefits are offered, and how you would replace them, should you curtail your employment.

Your employer may be able to provide workplace accommodations — such as flex-time or family and medical leave (FMLA) — so that you can continue to stay in the workplace while caring for your relative. Some employers may provide benefits such as access to

information and referral for family caregivers, assistance with paying for a geriatric care manager, back-up dependent care, on-site seminars, or stress management programs. You will also want to consider that, in the event that you become injured or disabled, you may not be able to provide assistance (financial or basic care), to your loved one(s). Disability income insurance helps protect you by replacing a percentage of previous income. Check with your employer, and find out what is available through work, then consider what additional coverage or primary disability insurance you might need. You will also need to think about maintaining your health care coverage. Buying health insurance as an individual can be costly, and if you have a pre-existing condition you may be denied coverage. Leaving the workplace without having health care insurance may put your health and finances at risk. Research evidence indicates that caregivers have poorer health than non-caregivers<sup>1</sup> and you will want to protect your health.

Your employer may also provide the life insurance coverage that will be especially important to you if you have a family that depends on your income for financial security. Check to see if you have access to life insurance through your employer. It's important to ensure you have the right amount of coverage. For those who already have life insurance, review your coverage periodically to ensure it still meets your needs. Additionally, your employer may offer long-term care insurance as a benefit that you may need in the future.

### **3. Take stock of what you have and your expenses for caregiving.**

Often, caregiving expenses are not calculated and simply become part of your routine, such as providing assistance with grocery shopping or preparing meals. Create a list of what you currently do to provide care for your parent or relative. Consider your current costs for travel, home care, and any other items that you cover. Add up all your current out-of-pocket costs for caregiving, and create a budget for these expenses. Learn what resources your older loved one has already such as assets and income, home equity, and whether he or she may have long-term care insurance.

### **4. Look into public benefits.**

It is often difficult to locate needed services. Community services may be low cost or no cost and can offset your out-of-pocket expenses. You can contact the Eldercare Locator, a free public service from the U.S. Administration on Aging at [www.eldercare.gov](http://www.eldercare.gov) or by phone M-F, 9 a.m. to 8 p.m. EST at 1-800-677-1116 to assist with finding local resources. The Web



site, [www.BenefitsCheckup.org](http://www.BenefitsCheckup.org), is a free, confidential service that helps older adults find programs that may help pay for some of the costs associated with prescription drugs, health care, utilities, and other essential items or services. It requires completion of a simple form that asks no personal information other than your zip code, using it to locate programs in your area. Disease-specific organizations like the Alzheimer's Association and the National Parkinson Foundation, and local area agencies on aging may also have funds to assist family caregivers receive respite care. Other public benefits, like Medicaid, are "means tested," requiring you to qualify based on income.

<sup>1</sup> *The MetLife Study of Caregiving Costs to Working Caregivers: Double Jeopardy for Baby Boomers Caring for their Parents.* June 2011. MetLife Mature Market Institute.

## **5. Become knowledgeable about the government programs, Medicare and Medicaid.**

The ability to access and afford health care services is a key concern for individuals of all ages. While Medicare is the country's health insurance program for most individuals, it is not all-inclusive and you will want to be aware of the costs from premiums, deductibles, and other costs associated with it. You will want to make sure that you purchase Medicare supplement insurance, known as Medigap. As the name implies it covers gaps that Medicare doesn't cover such as deductibles, co-insurance, co-payments, and other charges. You will want to weigh the pros and cons of Medicare Advantage, and purchase a Medicare Part D prescription plan. Some individuals enrolled in the Medicare program also qualify for Medicaid which covers a range of health and long-term care services. Because it is a state-run program, states set their own standards, and services vary significantly from state to state. Eligibility is determined by each state Medicaid office. For more information on Medicare and Medicaid see *The Essentials: Medicare and Medicaid* at [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).



## **6. Calculate what it would cost to keep your loved one at home.**

As people age the desire to remain in their homes close to friends and familiar surroundings deepens. For many "aging in place," remaining in their own home, is a good option, and there are many services that enable an older person to remain at home with additional care and services such as meals-on-wheels, adult day services, and home modifications. You will want to understand all the options in your community and calculate the costs. See the *MetLife Aging in Place Workbook* at [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com) for guidance and assistance in assessing the care needs of your older relative and whether they can be met at home. A tool that will help you determine the cost of care options in your area is *The MetLife Survey of Long-Term Care Costs*. The annual survey provides state-by-state costs of care, including adult day services, home health care, nursing home, and assisted living communities. See [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).

## **7. Consider enlisting the services of a geriatric care manager.**

Geriatric care managers are usually social workers or nurses that assist with evaluation, referral, and monitoring a plan of care for older persons. They may be hired to do a thorough evaluation of the older adult's environment, make appropriate referrals, and provide you with a list of resources in your area for care. While they charge a fee for their services, which can be for a one-time assessment or on an ongoing basis, they can save you time and money in the long run. Whether you live close by or are living at a distance, a geriatric care manager can be an effective way to manage care. You can find one in your area at [www.caremanager.org](http://www.caremanager.org).

## **8. Be aware of possible elder financial abuse and take precautions.**

Financial exploitation is an area of growing concern and can deplete your parent's savings. Older individuals, especially individuals with physical or cognitive impairments can be vulnerable to elder financial abuse or exploitation at the hands of others. Important documents such as insurance and banking information, deeds, investment information, wills, and power of attorney papers should be kept in a secure location. Another person who is trusted by you and your family members should know of this place and also have access to it. It is important to remain aware of checking accounts, monthly credit card, banking, and other financial statements to ensure they are correct. For more detailed information see *Planning Tips: Preventing Elder Financial Abuse for Family Caregivers* at [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).

## **9. Discuss your loved one's legal, financial, and medical wishes.**

At some point, you may have to make decisions for your loved one, and dealing with another person's issues of personal and financial capacities is never easy. Yet, however difficult it may be, having the discussion with your older loved one about their wishes can allow you and your family to plan effectively for the future, and it allows your older loved one to legally have their say about their desires if the time comes when they might not otherwise be able to speak for themselves. There are a number of legal tools that can be used by older adults to allow another person to act on their behalf. These may include a Power of Attorney, a Durable Power of Attorney, a Living Will, and others. You will want to consult with an attorney regarding what may be appropriate in your particular situation. Important documents such as insurance and banking information, deeds, investment information, wills, and power of attorney papers should be kept in a secure location and shared with the appropriate professionals and family members. For more information see *Since You Care: Legal Matters* and *Ten Tips for Talking to Your Aging Parents* at [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com).

## **10. Create a budget for yourself, for your future retirement expenses.**

A good starting point: Consider what portion of your income you'll need to maintain your current lifestyle after retirement — experts typically place it at about 80% of current income as a starting point. Calculate the amount of income will you need so that you and your family will enjoy the lifestyle you want throughout your retirement. Factor in unexpected costs such as health care and inflation. While in the workforce, aim to maximize your 401(k) contributions each year. Check the current maximum allowable amount for yourself, as well as potential employer contributions, and adjust your contributions accordingly. If you are age 50 or over, you can contribute an additional \$5,500, known as the "catch-up contribution" limit. When you plan for life in retirement, you will want to supplement the reliable income you'll get from Social Security and pensions. Some people look to traditional sources like bonds or CDs. Another option is to put part of your retirement savings into an annuity — which is different from traditional income investments because it can guarantee you a certain amount of income for as long as you live. Perhaps you will want to speak to a financial advisor to discuss the options available to provide a guaranteed stream of income that best meets your needs.

## Additional Resources

- **BenefitsCheckUp.org**  
A free online service developed and maintained by the National Council on Aging where you can find and enroll in federal, state, local, and private programs that help pay for prescription drugs, utility bills, meals, health care, and other needs. It includes more than 1,800 public and private benefits programs from all 50 states and the District of Columbia. [www.benefitscheckup.org](http://www.benefitscheckup.org)
- **Administration on Aging (AOA)**  
AOA is maintained by the U.S. Department of Health and Human Services and publishes resources, news, developments, and information for older adults. AOA funds the Eldercare Locator, a service administered by the National Association of Area Agencies on Aging (N4A). This can be found at [www.eldercare.gov](http://www.eldercare.gov), or by calling 1-800-677-1116 M-F from 9 a.m. to 8 p.m. ET. [www.aoa.gov](http://www.aoa.gov)
- **Internal Revenue Service**  
A comprehensive information source about the Dependent Care Credit. You can search for "Dependent Care Credit" for more information, or call the IRS directly at 1-800-829-3676. [www.irs.gov](http://www.irs.gov)
- **U.S. Department of Labor, Employee Benefits Security Administration (EBSA)**  
Provides educational information related to retirement planning called "Savings Matters." The Department of Labor's Web site contains information and fact sheets are available for both employees and employers, and contains a search function enabling you to learn about the Family and Medical Leave Act (FMLA). <http://www.savingmatters.dol.gov>
- **Women's Institute for a Secure Retirement (WISER)**  
Serves as a national clearinghouse and technical assistance center for retirement planning information tailored specifically for women. Information is offered through financial and retirement planning programs, and publications are available in hard copy and Web-based formats. The site also provides a "retirement income calculator" and a quarterly newsletter. [www.wiserwomen.org](http://www.wiserwomen.org)
- **The Insurance Information Institute**  
Provides an overview of annuities, health, disability, life, and long-term care insurance. It gives product information in a very easy question-and-answer format. [www.iii.org/individuals/annuities/](http://www.iii.org/individuals/annuities/)

## MetLife Mature Market Institute Resources

The Mature Market Institute has created a number of publications for family caregivers that can be downloaded from the Web site, [www.MatureMarketInstitute.com](http://www.MatureMarketInstitute.com). You can find the following publications and many others under Topic Index and search under Caregiving:

- **The MetLife Study of Caregiving Costs to Working Caregivers: Double Jeopardy for Baby Boomers Caring for Their Parents**
- **The MetLife Aging in Place Workbook**
- **The MetLife Survey of Long-Term Care Costs**
- **Planning Tips: Preventing Elder Financial Abuse for Family Caregivers**
- **Since You Care: Legal Matters**
- **Ten Tips for Talking to Your Aging Parents**
- **The Essentials: Medicare and Medicaid**



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