Keeping Your Parents Out of the Nursing Home

How to finance taking care of them at home

It's a blessing and a challenge, caring for your elderly parents. The rewards are many, but in other ways, there are prices —not just physically and emotionally, but practically. You're doing the hard work many are paid to do. And it may be affecting your own finances. Despite the hardship, you're determined to keep your parents out of the nursing home. So, can you get paid to care for your parents? Are there ways to provide for them without putting your own future at risk?

The numbers in Connecticut are daunting. Using a licensed agency for home care is between $1400–$1600 per week and hourly rates for home care range from $18 to $21.

So how can you afford to keep your folks at home and what are the options for doing so?

YOUR PARENTS CAN MOVE IN WITH YOU

1. **Construct an in-law apartment in your home** using their money—but who will own that apartment? Is that money a loan to you? Will you own the increase in the equity of your home or will your parents own part of it? What if your parent spends $50,000 and dies 6 months later? Do you get to "keep" the value? What will your siblings say? What if you die and your spouse kicks mom out? Should your parent be given a lease? What if you get divorced and a court orders that the house be sold and the money split? What happens to mom's $50K and where will she live? Lots of issues!

2. **Add a pod to your home** with their money — a prefab add on that just plugs into your house—no muss, no fuss. It can even be removed when it's no longer needed! (See Practical Assisted Living Solutions www.palsbuilt.com). Great idea, but you'll have the same ownership issues as above.

3. **Sell them a piece of your home** — They can purchase a life use in your home—essentially you're selling them a piece of it. This addresses many of the above concerns and if your parent lives in your home for a period of at least one year from the date they purchased the life estate, the amount paid to you will not be counted against them as a gift to you if they were to apply for Medicaid in the future.

4. **Check for long term care insurance** — If your parents have a policy, see if it will cover caregiver services provided by an adult child.

5. **You can use their money to provide care to them** — which may qualify you for a tax deduction. Your parents can give you a sizeable sum of money (don't worry about gift taxes – they are not an issue). If you then use this money to provide over half of their financial support for food, housing, medical, transportation, etc., you might be able to claim your parent as a dependent on your taxes and you might also be able to deduct your parents' medical expenses on your income tax return. If you're in a high income tax bracket, this could save you some taxes and it won't cost you a dime because you used the gifted money to earn the deduction.

6. **They can apply for Veteran's Benefits** — The VA Aid and Attendance benefit was established to help veterans who are in financial need. If your parent is a vet, he or she needs to have been in service for at least 90 days of active duty with 1 day beginning or ending during a period of war and have been discharged honorably. This benefit can provide up to $2,000 per month to help with medical expenses.

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YOUR PARENTS CAN STAY IN THEIR OWN HOME

Your parents may need to modify their home to accommodate their changing needs. Ideally, they should be on the first floor so they won't have to climb stairs. If that's not possible you can look into an automatic stair lift. They may need a ramp leading up to the front door. Is the bathroom big enough to handle a wheelchair or walker if necessary, does the shower and toilet have grab rails? Here are some ways you can help them finance their home improvements and their care:

❶ **Your parents can get a reverse mortgage** — and receive tax-free cash advances, with no payments required until they die or move out of the house. It's basically a loan against the equity in their home, with the proceeds available as a lump sum, fixed monthly payments for as long as your parent lives in their home, a line of credit, or a combination of these options.

❷ **Loan money to your parents** and take a mortgage on their house thereby avoiding reverse mortgage closing costs. Plus your parents can pay you interest if everyone agrees. This would be better than having your money in a CD that pays very little interest.

❸ **Liquidate their assets as needed** — With the help of an estate planning professional, this can be done in an income tax efficient manner if your parents will be paying a lot of medical expenses.

❹ **Apply for a Connecticut or Medicaid Home Care waiver.** Go through the eligibility rules to see if your parents qualify. This program has 3 levels of benefits designed to help low-income, frail persons aged 65 years and older to remain in their home. An array of medical and social supports is offered to seniors who, in the absence of such services, would be forced to accept nursing facility placement. Beyond traditional medical support, home care programs provide companion services, as well as assistance with chores such as shopping and laundering.

Paying for home care services is one of the most challenging issues for caregivers because most elders and families must pay for services out-of-pocket. This is a harsh reality for many working- and middle-class families, yet home care services may be the only way to keep an elder out of a nursing home.

If you're reading this article, you're in that stressful phase of life where taking care of your parents has become a significant responsibility. And no doubt you're learning lots. Take this opportunity to start your own long-term financial planning now so when you're time comes, you'll have more choices as to how you want to live later in your life.