



Helping Mom and Dad: Five Ways to Manage & Minimize Costs of Caring for Aging Parents

*“Those who love deeply never grow old;
they may die of old age, but they die young” – Benjamin Franklin*

The Aging of America

One of our recurring themes is “Finishing Well.” In fact, our entire service offering at Banta Asset Management is dedicated to helping you design the right strategy to manage the most important decisions concerning the well-being of your immediate family, as well as that of your parents and grandparents. Our service portfolio includes:

- Trust & Estate Planning
- Intergenerational Wealth Planning
- Family Governance Solutions
- Tax Planning/Bookkeeping
- Trusteeship/Estate Services
- Lending Services (Residential/Commercial)
- Pension Fund Services
- Insurance Services

Each of these elements above point to a retirement, whether it be your parents or your own – or both. As we continue to live longer, our responsibilities to help aging parents and grandparents is not just a phenomenon, but a reality for the next century. According to the U.S. Department of Health and Human Services, approximately 13% of the U.S. population (40 million people) are 65 years or older. By 2030, it is estimated that there will be over 72 million people over 65 (approximately 20% of the U.S. population), which is twice as many as in 2000.

What Do These Statistics Mean?

The bottom line is clear – Americans are living longer due to better health practices, innovations in medicine, and the continuing rise in the standard of living. This is good news – but requires a strategy by the entire family that recognizes that living longer means managing the inevitable costs associated with long-term care.

Your Strategy – Managing & Minimizing the Costs

According to the U.S. Congressional Budget Office, the probability of people over 85 needing long-term care is over 50%. More directly, it is estimated that children of seniors are forced to bear at least some of these costs for their aging parent's care. In fact, according to Caring.com, a consumer website, more than 40% of caregivers are spending

more than \$5000 a year on a loved-one's care. This means that imminent proactive planning is among the most important priorities of the family to not only manage the inevitable costs, but also minimize them. The following are strategic ways to minimize costs with out compromising the important care your parents require:

- **Claiming Your Parent as a dependent**

- You may be eligible to trim your tax bill by claiming your parents on your tax return
- Your parent's income, excluding Social Security, must be less than the amount of the personal exemption. For 2010, the personal exemption was \$3,650 and for 2011, it is \$3,700.
- In addition, you must provide more than 50% of a parent's financial support.
- If the parent lives with you, you can include a percentage of your mortgage and utilities. Also, you can claim more than one parent as a dependent if both meet the income and support requirements.

- **Deducting Your Parent's Medical Expenses**

- If you contribute to a parent's health care expenses, you may qualify to deduct those costs, even if you can't claim the parent as a dependent.
- To claim this deduction, you must provide at least 50% of the parent's financial support, but you don't have to meet the income test.
- In addition, the deduction is limited to medical expenses that exceed 7.5% of your adjusted gross income.
- Qualified expenses include the cost of a nursing home, in-home health care, dental care and prescription drugs.
- You can include you own unreimbursed medical expenses when calculating total costs.

- **Qualifying for Government Help**

- Fifteen states offer Cash and Counseling programs for low-income seniors who are eligible for Medicaid.
- These programs provide eligible seniors with funds to pay for in-home care, including care provided by family members.
- Other states offer similar grants to seniors who have limited income but earn too much to qualify for Medicaid.
- Banta Asset Management works with your local Area Agency on Aging office to help you obtain this information.

- **Paying a Family Member to Provide Care**

- According to Caring.com, more than a third of caregivers have been forced to quit jobs, take early retirement, reduce hours or take leave of absences.
- In many cases, using a parent's savings to pay yourself a salary can replace some of that lost income.
- To avoid conflicts and confusion, Banta can help draw up a contract outlining the terms of the agreement and share it with your other family members.
- If your parent signs up for state assistance, you may need this contract to show how his or her money has been spent.

- **Planning Your Own Long-Term Care Needs – a helpful checklist for people approaching 65**

(Banta suggests anyone 40 and older prepare for this checklist as early as possible)

- Enroll in Medicare Part A (inpatient care) and Part B (outpatient care)
- Consider a Medicare Part C “managed care plan”
- Consider a Medicare Part D “prescription drug plan”
- Shop for a Medigap insurance policy to supplement Medicare – your right to buy the policy of your choice only lasts six months after you enroll in Medicare Part B
- Consider long-term care insurance – purchasing in your mid-60s is the last age at which buying a new policy is affordable for most people
- Plan your Social Security benefits claim – age 66 is now the Social Security’s ‘full retirement age’
- Find out about extra help if you have low income and few assets. Medicaid can pay the full cost not only for medical care but also for long-term home care and nursing home residence. For example, Supplemental Security Income can provide small monthly cash assistance in addition to Social Security benefits
- Get your legal documents in order – these include a will, a power of attorney for finances, and an advance medical directive (also called a living will)

Family Management is Asset Management

At Banta Asset Management, your comprehensive well-being is our most important priority. You have many choices from which to choose, but Banta understands that asset management really is family management. We strongly encourage you to re-evaluate your family management and care priorities and contact us to help you strengthen your strategy for finishing well.

With continued confidence,

Banta Asset Management