

Role reversal



How to manage costs when caring for aging parents.

CANADA'S SENIORS OUTNUMBER the country's children. The 2016 Census, which counted 5.9 million people aged 65 and over and 5.8 million people aged 14 and under,¹ was the first to reveal this shift. That's in part because people are living longer.

The fastest-growing age group in the 2016 Census was centenarians – people over age 100.² And a growing aging population brings health care challenges. It's falling to adult children to handle the realities of their parents' declining health, and in many cases the associated costs as well.

Statistics Canada calls years lived in full health “health-adjusted life expectancy” (HALE). The latest figures show men with a HALE at birth of 69 years and women with a HALE at birth of 71 years. Given rising life expectancies for both men and women, this means the average Canadian will live with some level of disability for about 10.5 years.³

Living with a disability can be a financial challenge for seniors and their adult children. One estimate pegs the cost to Canadians of caring for aging parents at \$33 billion every year, factoring in both out-of-pocket spending and time away from work. Out-of-pocket spending alone averages \$3,300 annually for every caregiver who is contributing financially to a parent's care.⁴

The good news is that adult children and their parents can work together to prepare for potential expenses. Focusing on budgeting, short-term and long-term financial planning, insurance protection and tax strategies can go a long way to putting a plan in place.

How much will it cost?

The first step towards planning to pay the costs associated with parents' care is to work out what those costs will be – and that's difficult because expenses vary widely depending on each person's state of health, as well as the lifestyle and level of care desired.

For seniors who are considering or require accommodation outside the family home, costs may include the following:⁵

¹ Statistics Canada, *Canada [Country] and Canada [Country] (table), Census Profile, 2016 Census*, Statistics Canada Catalogue no. 98-316-X2016001, released August 2, 2017, www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm.

² www.thestar.com/news/canada/2017/05/03/100-year-old-canadians-fast-growing-age-group-in-the-country.html

³ Yves Decady and Lawson Greenberg, “Ninety years of change in life expectancy,” Statistics Canada Catalogue no. 82-624-X, last modified November 27, 2015, www.statcan.gc.ca/pub/82-624-x/2014001/article/14009-eng.htm.

⁴ www.cbc.ca/news/business/caring-parents-costs-1.4101277

⁵ www.aplaceformom.com/canada/canada-seniors-housing-guide

Independent living: \$1,400 to \$3,500 monthly

Independent living in a retirement community or retirement home is for seniors who want conveniences such as easy access to shops and activities, but who don't need help with the activities of daily living (eating, bathing, dressing, walking and continence). There may be on-site gardens, fitness centres, pools and even golf courses. Services such as housekeeping, meals, laundry and transportation may be available for an extra price. Generally, seniors and/or their families must pay the full cost of independent living.

Assisted living: \$1,500 to \$5,000 monthly

Assisted living in a retirement community, retirement home or residential care home provides some support with the activities of daily living, but is designed for seniors who can manage most things on their own. Health care professionals, including physicians, nurses, physical therapists and occupational therapists, may visit regularly, and residents may get help managing their medications. Costs, which may be structured as a flat rate or à la carte, may be partially paid by the government.

Around-the-clock care: \$2,500 to \$8,000 monthly

Around-the-clock care in a long-term care home is for seniors who need more support with the activities of daily living. It often includes leisure activities, exercise programs, physical therapy, medication management, pain management and hospice care. Each province sets the maximum it will contribute towards long-term care accommodation.

In addition, memory care is a specialized type of around-the-clock care that may be offered in an assisted living facility or long-term care home. A secure area, often with alarms on doors, helps protect residents with illnesses such as Alzheimer's disease from wandering. It may be partially funded by the government as well.

For seniors who prefer to stay in their own home, there may be expenses associated with home renovations to improve access to the home and safety in areas such as stairs, bathrooms and kitchens.⁶ Additional costs may include:⁷

- Personal care worker: \$20 to \$30 hourly
- Registered nurse: \$40 to \$69 hourly
- Live-in caregiver: \$1,900 to \$3,500 monthly
- Electric hospital bed: \$3,000 to \$5,000
- Scooter: \$2,400 to \$5,000
- Walker: \$100 to \$450
- Bath lift: \$1,200
- Medication dispensing machine plus monitoring: \$800

It's important to note that around-the-clock care at home may require two or three live-in caregivers or shift workers to comply with provincial labour laws governing the maximum number of hours one person can remain on duty in a day. Some of these costs may be partially paid by the government, based on a case manager's assessment of needs and the financial resources available to pay for care.

⁶ www.cmhc-schl.gc.ca/odpub/pdf/61087.pdf

⁷ business.financialpost.com/personal-finance/retirement/parenting-your-parents-the-cost-of-caring-for-your-elderly-loved-ones

Support strategies

The burden of providing and paying for quality care doesn't have to rest solely on seniors or their adult children. Government, corporate and charitable programs can offer some support. Other family members may be in a position to provide care or financial assistance as well. Consider these tactics to help manage the costs:

1. Find out what's covered

Government programs can help pay for equipment, such as wheelchairs, home improvements and vehicle modifications for people who need them.⁸ In addition, some car manufacturers have mobility programs that help pay for vehicle modifications.⁹ Benefits plans may provide additional coverage, so look up the details of parents' policies.

2. Check parents' insurance protection

Do parents have critical illness insurance? It pays a lump sum that can be used for any purpose if they are diagnosed with a covered condition such as a heart attack, stroke or cancer. Do they have other life or health insurance, such as long-term care insurance, that would help pay for care? If they don't have coverage and you're considering senior care far enough in advance that parents are relatively young and healthy, it's worth discussing insurance options with an advisor.

3. Tally parents' income and savings

Parents may have enough money to pay some or all of their own costs. Income may include a monthly benefit from the Canada Pension Plan, Old Age Security and, for low-income seniors, the Guaranteed Income Supplement. Provincial benefits may add an income top-up. Parents may also have a private Registered Pension Plan, Registered Retirement Savings Plan/Registered Retirement Income Fund savings, Tax-Free Savings Account savings, and cash and investments in non-registered accounts. Get a clear picture of what's there, and decide which income and savings will pay for what expenses.

4. Consider leveraging assets

If seniors are moving into different accommodation but own a home, they may be able to sell it or rent it out, and use the proceeds to pay for their new living arrangements.

If they don't want to sell their home outright, they could

consider borrowing against their equity with a reverse mortgage or home equity line of credit. If they have accumulated a cash value in a life insurance policy, this may be a source of funds as well. It's important to discuss the pros and cons of all these options with an advisor.

5. Save on equipment

It's a good idea to research and comparison shop before buying equipment – especially big-ticket items. Consider gently used equipment. And, if a parent needs something only for a short period of time – for example, while recovering from an injury – find out if it's possible to rent, instead of buying. Ask family and friends as well. Someone may have just what's needed in a closet, and be more than happy to declutter and help out.

6. Minimize taxes

Help parents take full advantage of tax credits and benefits such as the age amount (maximum \$7,225), disability amount (maximum \$8,113) and deduction of eligible medical expenses. In addition, the federal government proposes that for 2017 and future years, adult children who are caring for a parent who has a physical or mental infirmity may be able to claim the Canada Caregiver Credit (maximum \$6,883).¹⁰

7. Take care of the caregivers

Caregiving is hard work, and many caregivers are under extra pressure if they're balancing work and other family commitments. Spending a little extra can save money in the long run if it prevents caregiver burnout. Find out about respite care – short-term stays for seniors in an assisted living facility that gives caregivers a break. Day programs for seniors may also be available and are often government-subsidized. And keep in mind that when parents are gravely ill, caregivers may be eligible for compassionate care benefits from Employment Insurance for a maximum of 26 weeks.¹¹

⁸ mobilitybasics.ca/canadian-funding

⁹ mobilitybasics.ca/canfund

¹⁰ www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2017-building-a-strong-middle-class/consolidation-caregiver-credits.html

¹¹ www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/compassionate-care.html

Planning ahead for parents' care

When a parent needs extra help immediately, some decisions must be made in the moment. But a lot of planning can be done ahead of time, and doing this up-front work can help save stress, worry and money in the long term. It's always a good idea to:

- Have open conversations with parents about their preferences – for example, do they want to remain at home as long as possible, or would they prefer to be part of a community of other seniors?
- Get the details of parents' finances, including income, savings, debt and insurance. Discuss with other family members how costs associated with parents' care can be fairly divided.

- Build a dedicated caregiving emergency fund that can cover unexpected expenses and time off work
- Ask to accompany parents to a meeting with their advisor so everyone can work together on creating a plan for their care

Remember that your advisor, too, is a valuable resource as you work through the challenges of preparing for and managing your parents' care. Whether you need help with the financial aspects of caregiving or are looking for caregiving resources in your community, ask your advisor to point you in the right direction. ■



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