

Long-Term Care Issues – Planning for Today and Tomorrow

These days, it is common for many people to live 20 or more years beyond the normal retirement age (NRA). When seniors reach their eighties and nineties, plans that were satisfactory at age 65 may prove deficient and require a second look. Some areas of special concern to older seniors and individuals with aging parents or loved ones are property management, health care, and living arrangements.

Managing Assets

Many aging seniors find themselves unable to continue managing their assets, and may wish to transfer that responsibility to others. A variety of arrangements are possible to achieve this objective, among them:

1) Revocable and Irrevocable Trusts. Seniors wanting to retain control over property, while delegating responsibility for daily management to others, may want to consider a revocable trust. This arrangement allows seniors to monitor the management of their assets, yet offers them the flexibility of changing the trust as experience and circumstances suggest. As added protection, a revocable trust may remain unfunded as long as a senior is legally competent. Alternatively, seniors willing to relinquish ownership of assets altogether could establish an irrevocable trust.

2) Durable Power of Attorney. This allows seniors to appoint a trusted relative or friend as a representative in legal and financial decision making. The powers granted may be limited or broad in scope, and may vary from state to state. They remain in effect during disability or incompetence, although, in the event of incompetence, a guardian or conservator could revoke them. Some financial institutions may be reluctant to recognize durable powers of attorney, so it is worthwhile to explore this possibility beforehand.

3) Informal Arrangements. Seniors can also transfer property informally to their heirs-in many cases free of gift taxes-in exchange for being taken care of for the rest of their lives. This arrangement, however, should be approached with caution. Even well-intentioned adult children may deplete assets through poor management, divorce, or creditor claims. Once the assets are gone, the senior may become dependent on the goodwill and financial assistance of relatives.

Health Care

With health care costs spiraling upward, and people living longer than ever before, seniors of advanced age should anticipate facing high medical costs. The federal government provides health care benefits through the Medicare and Medicaid programs, but seniors need to understand what coverage they can expect, and at what cost. Medicare Part A covers inpatient services at hospitals and other health care facilities. It is provided automatically, at no cost, for seniors age 65 and older who are eligible for Social Security, and at a substantial cost for those who enroll independently. Medicare Part B provides additional health coverage, which is optional and must be paid for separately. Eligibility for Medicaid, which may cover long-term nursing home care, depends on financial need. Seniors may have to "spend down" their assets to meet Medicaid eligibility requirements. A financial professional can help you plan for the possibility of needing long-term care.

Living Arrangements

Seniors who are able to care for themselves and have the means to do so may wish to remain in their own homes. Elders in declining health who are unable to live independently, but are not yet in need of full-time care, have several alternatives to consider.

For seniors whose needs are few, assisted living facilities (ALFs) provide a protected environment with a semblance of independent living. Generally, some daily meals are provided in a communal dining room and

minimal assistance, such as with washing and dressing or with medications, is available. Continuing care communities offer a combination of independent living and health care support. Some families may want to take in an aging relative. If family members work, senior daycare centers, either publicly or privately funded, can provide social opportunities and activities to relieve boredom and provide companionship. In some cases, bringing in outside help may be the solution.

Periodically Review Plans

It is a worthwhile practice for aging seniors and/or family caregivers to periodically review existing financial arrangements. In the transition to the later stages of life, fresh needs and concerns, such as those involving asset management, health care, and living arrangements, may call for revisiting plans made at an earlier age.

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