



MAKING CENTS OF SENIORS' FINANCES

Can I afford to stay in my own home?

For older adults, there is no shortage of life decisions to think about. When should I retire? What do I want to do with my life after work? How can I stay healthy as I age? For many, one of the questions topping this list revolves around the living situation: Where should I live? Can I stay in my own home?

According to a study from AARP, 90 percent of people want to stay in their own home as they age.¹ And why wouldn't they? Home is comfortable, familiar. It's where memories have been made, families grown.

Making the decision to age in place requires careful consideration of multiple factors. One of the main guiding factors on whether or not a person can stay in their home as they age is, simply, whether or not they can afford it. These days there are multiple options for in-home care, ones that work with an individual's needs and budget. In-home care provides a flexible, affordable option for aging seniors, even those with more sophisticated medical needs.

If you're determining your age-in-place plan, or if you're already caring for an aging friend or family member, the following expert advice will start you down a positive path.

When should I retire?

**What do I want
to do with my life
after work?**

*How can I stay
healthy as I age?*

Where should I live?

**Can I stay in
my own home?**

Start Now, Know Your Options

“If you’re thinking about staying in your own home, and you have the resources to pay for in-home care, one of the things that is really well worth your time is to interview and investigate potential providers,” advises Anne Tumlinson, an expert on elder care and founder of the site Daughterhood.com. Most people, she says, don’t seek care until they’re already in crisis. And at that point, the person already has a multitude of concerns to contend with, which makes decision making more difficult.

“You really want to avoid making a decision about your in-home care provider at the point of crisis,” Tumlinson says. “You’ll want to know what your options are, and who the providers in your marketplace are. You want to start to think about those things ahead of time, if possible.”

The more planning ahead that can be done for a major life decision like this, the better. Leah Nichaman, founder and president of Everyday Money Management, encourages people to think about the home itself when planning for post-retirement life. What worked as a home for someone in their 30s may not work for the same person once they are 75 years old. People who wish to stay in their homes as they age, Nichaman says, should take the following potential costs into consideration:

- Home modifications for improved accessibility.
- Extra services such as fall monitoring, medication reminders and other monitoring systems.
- Renting or purchasing medical equipment that isn’t provided free of charge by Medicare.
- Service providers to help with housekeeping, shopping, transportation, computer maintenance.
- Medical providers who make house calls.
- Personal care providers who make house calls, such as hairdressers or massage therapists.
- Additional insurance such as workers’ compensation and umbrella liability, since more people will be coming in and out of the house regularly.



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– Tumlinson

One of the dominant costs seniors will encounter whether they stay in their own home or go into a care facility is health care. While neither is covered by Medicare, home care is often less expensive than nursing home care, with the added advantage of one-on-one care, as opposed to a facility that spreads care across multiple patients.

“People generally underestimate the care they will need,” Nichaman says. “They think they will only use a home health aide for a few hours a day or week. Sometimes they assume family will provide some of the care. If they are lucky, this may turn out to be true, but in my experience people end up needing home health aides for more hours — or their doctors tell them they need them for more hours — than they planned.” For planning purposes, she adds, people should count on a period of time in which they will need the most expensive, 24/7 care.

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Funding Care is Easier Than You Think

When planning for care, one of the biggest decisions to make is how to fund care. It might seem intimidating, but there are many options available to help seniors age in place when in-home care is needed.

One of those options is long-term care insurance. Designed to “cover long-term services and supports, including personal and custodial care in a variety of settings such as your home, a community organization, or other facility,”² long-term care insurance can be a considerable financial help for people aging in place. While in the past these plans could be seen as restrictive, guidelines for reimbursement have loosened over the years. Those who are doing advance planning should start long-term care insurance while in their 50s or 60s — policies often are less expensive the younger and healthier a person is when purchasing them.

Note, though, that long-term care insurance is not without its risks — premiums may go up, or it may never be used. But there are ways to mitigate these risks, particularly for rising premiums. According to a 2013 Wall Street Journal article, “Although insurers can’t raise rates on individuals, they can do so on a defined group of policyholders if they get state approval. So, it pays to look for insurers with strong financial statements who conduct significant business in your state.”³ Additionally, it is also possible to reduce the terms of the benefits, thus reducing the premium increase.



Despite the risks, long-term care insurance can help those seniors who want to age in place actually stay aging in place. There are myriad policies available, each with different options to ensure seniors are getting the policy that they need at the right time that will provide the right coverage.

Another savvy option for funding care is tapping into a home's equity, or what's called a reverse mortgage. Historically, reverse mortgages have gotten a bad rap, with exorbitant fees and policies that were more harmful than helpful to homeowners.

But in recent years, since these mortgages have come under government regulation, they've become an optimal choice for seniors to fund their care, says Erin Lueders, a reverse mortgage loan specialist with Reverse Mortgage Funding, LLC. Reverse mortgages today are government insured and regulated, and allow seniors 62 years and older to draw down on the equity of their home without incurring any monthly mortgage payments.

"You have all the benefits of a home equity line of credit or a home equity loan without the monthly payments," Lueders says. Seniors can use the equity to finance in-home care, giving them flexibility and freedom to live where they want and age in place, she adds.

Lueders compares the reverse mortgage to paying into a retirement plan during working years. "You're anticipating and investing in your retirement savings — you put this money in anticipating that you'll take it out. You're drawing down the value of your retirement portfolio as you use it for income from retirement." The same goes

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for a reverse mortgage: You made monthly payments on your mortgage for 30 years, investing in the equity of the home, and now you're tapping into it.

Reverse mortgages, Lueders continues, are tax-free, and not considered income by the IRS, and therefore do not affect any income-based benefits seniors may receive. There is one potential drawback to a reverse mortgage: legacy.

"If a senior is set on leaving the house to the estate," Lueders says, "there may not be much to leave, because there won't be a whole lot of equity left in the house."

In the past decade, Lueders notes, reverse mortgages have seen more positive press and the regulatory changes are turning the tides; more seniors are realizing the benefits of this option to fund care as they age.

"So if seniors don't want to deplete their savings, and if they don't want to pay out of pocket themselves or have their adult children to pay out of pocket, using the equity in the house is a fantastic benefit," she says.

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On the Team: Support for Seniors' Finances

Ensuring seniors have the financial means to stay in their home can be daunting, but with the right support it doesn't have to be. It helps to have a financial planning team in order, a group of experts who can help keep finances on the right path, and ease some of the worries that often follow the dollars.

This team, says Nichaman, should include a financial adviser, typically an investment adviser, though it could also be an independent financial planner, an accountant, or an estate planning and/or elder law attorney.

"In particular, the elder law attorney will be the most knowledgeable about planning for incapacity and possibly Medicaid, where the timing of key financial transactions is critical," Nichaman says. "Once they need help with their day-to-day paperwork, they should add a daily money manager to the team." She adds that interviewing these professionals is key, to ensure that seniors can work with these team



members on their own terms. For example, the professional might try and talk them into financial moves that the senior might not be comfortable with, and a senior would want to know that ahead of time or have a relationship that had checks and balances in place.

Beyond putting together a financial team that has a senior's best interests at the top of mind, it's important to know what services are available in the community in which seniors live. According to the AARP study, 50 percent of the seniors surveyed said their communities offer high-quality public transportation, which would allow them to take advantage of all the community has to offer. Many communities provide financial seminars as well as resources to guide seniors to better investments and financial planning.

"If you have a local agency on aging, that's a good place to find out about free or low-cost services available in your area," Tumlinson says. "You need to get to know the community and the infrastructure." Having — or not having — certain services available, like public transportation, could contribute a significant amount to a senior's bottom line.



3 Financial Pitfalls and How to Avoid Them

Even the most well-planned life can be thrown for a loop, especially when it comes to finances. As a daily money manager, Leah Nichaman, founder and president of Everyday Money Management, has seen some common pitfalls when it comes to seniors' finances, and offers insight on how they can be avoided.

1 Failure to appoint power of attorney early or at all.

Bringing an agent under power of attorney on early can help a person get a better understanding of the senior's financial life as well as get that agent on file with various financial institutions before a crisis occurs. "That makes the transition much more seamless and less expensive," Nichaman says.

2 Failure to adequately document financial lives.

Without the documentation, children and family members will have a far more difficult time determining what bills are paid, when they're paid and from what accounts. Further, a lack of documentation can pose problems when attempting to locate passwords and other pertinent information.

3 Keeping too much stuff.

Seniors often have many possessions, which means their children have to spend time and money — often the senior's money — cleaning it out. "People should adopt record retention rules they can live with and throw a lot of paper away," Nichaman says. "If they are hesitant to throw them away, they can have them scanned." Scanning paper records allows seniors the luxury of more space, while providing multiple family and caregivers with easier, less time-consuming access to important information because everyone can have a digital copy.



Conclusion

Making the decision to stay in your home is one that should be made with great care and research. There are many moving parts to a major life decision such as this one, and what is right for one person may not be the answer for another.

But planning ahead, knowing the options and understanding the impact of decisions can help seniors who want to stay in their homes age healthfully and happily.

1. <http://www.aarp.org/content/dam/aarp/livable-communities/learn/research/the-united-states-of-aging-survey-2012-aarp.pdf>
2. <http://longtermcare.gov/costs-how-to-pay/what-is-long-term-care-insurance/>
3. <http://www.wsj.com/articles/SB10001424127887323475304578501822156473886>

About Georgetown Home Care

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