

## HOW TO PAY FOR A LOVED ONE'S MEMORY CARE AND MANAGE THEIR FINANCES



By: Lissa Miller - November 19, 2019

Emotionally and financially, it can be a lot to take in when a loved one is diagnosed with dementia, Alzheimer's or other memory issues. Shawn Plummer, director of advance annuity sales at The Annuity Expert, has experienced the emotional toll on his own family: his 89-year-old grandpa is healthy, but his grandma has late-stage Parkinson's and the early stages of dementia. "From my point of view, it's gut-wrenching, simply because they both worked hard their entire lives, retired and then have had to go through this difficult time through their golden years. Imagine being married for 60-plus years, to learn your spouse dies forgetting who you are. I can't imagine," he says. "My grandfather is exhausted and frustrated."

Your options for care may seem mind-boggling — but remember, you don't have to decide on the type of care your family member needs right away, particularly if your loved one is diagnosed with memory issues in the early stages. Down the road, you may have to make decisions about assisted living versus in-home care — or memory care.

Memory care is a specific type of long-term care geared toward those with dementia, Alzheimer's or other memory issues. It employs specially trained specialized individuals who are skilled in assisting those with memory issues, which is the major difference between this type of care and assisted living.

Memory care isn't cheap, and the high costs are prohibitive for some families. Our guide can help you learn responsible ways to pay for it, the best payment methods and what shouldn't be used at all.

### The cost of memory care

Memory care is typically more expensive than traditional assisted living because it's more specialized and requires more highly-trained staff members.

"Residents of memory care facilities typically require more vigilant and consistent care than those without memory issues. There is a wide spectrum of the level of memory issues, but they range from being occasionally forgetful to potentially violent behavior," says Neel Shah, elder law attorney at Shah & Associates and financial adviser/owner of Beacon Wealth Solutions in Monroe, N.J. "Patients with memory issues can be

a hazard to themselves as well as to other residents, thereby requiring more resources to be devoted to their care. This naturally drives up the cost of care."

Here are the average costs, which depend on the complexity of care available at a particular memory care location.

### Private room

A private room at a memory care facility costs \$5,745 per month on average, according to retirementliving.com.

### One-bedroom apartment

Assisted living communities usually charge a base monthly rate, which covers room and board in addition to two or three meals per day. The average cost for a one-bedroom assisted living apartment is \$3,300 per month, though that depends on the state you live in. "The prices for various levels of care can fluctuate dramatically. Factors include the geographical location, the quality of the facility and the services included in the apartment/assisted living facility. For example, in the Northeast, it's common for a typical nursing home type setting to cost as high as \$15,000 per month. In the Midwest and Southern states, where the cost of living can be lower, you can still expect the cost to be in the \$8,000–\$9,000 range," says Shah.

Retirementliving.com highlights the stark cost differences in care costs: In Hawaii, the average cost of a private room in a memory care facility can be around \$13,216 per month. The cost is significantly less in Arkansas — around \$4,132 per month.

The most expensive states for memory care are Delaware, New Jersey, Alaska, Connecticut, Rhode Island, Massachusetts and New Hampshire — monthly costs are over \$6,200 per month. The least expensive states for memory care are Missouri, Georgia, North Carolina, Utah, Louisiana, South Dakota and Arkansas — monthly costs run under \$4,300 per month, according to retirementliving.com.

Some facilities cover housekeeping, laundry and other services in their base rate, while others charge extra, so it's important to get a cost breakdown for each facility you might consider, according to aplaceformom.com.

### Medications

Regardless of the location in which the care is provided, many individuals with Alzheimer's or dementia require prescription drugs. Consumer Reports says you'll pay between \$200 and \$400 per month for Alzheimer's medications for your loved ones.

### How to pay for your loved one's memory care facility

There are several ways you can tackle the costs of a memory care facility — and often, a combination of

methods might be the best approach. Shah says there are typically only three major ways to pay for the bulk of long-term care: "Have long-term care insurance, pay for it yourself or have the government help you. Some families will opt for self-insurance. At its simplest form, what this means is they have enough money to pay for the care themselves and they don't anticipate needing help," says Shah.

### Long-term care insurance and/or life insurance

Long-term care insurance and certain types of life insurance may help pay the costs of long-term care. Unfortunately, your loved one won't qualify for long-term care insurance if he or she learns about Alzheimer's or dementia and then immediately applies to get long-term care insurance. Most people with long-term care insurance buy it in their mid-50s to mid-60s — when they're healthy.

Similarly, you may have already been paying an extra premium on your life insurance policy so you can get a tax-free advance on your policy, called accelerated death benefits (ABDs). In other words, you'll be able to get money from your life insurance while you're still alive to pay for memory care costs. Tapping into that benefit can be highly beneficial when your loved one needs to move to a memory care facility.

### Personal loans

Personal loans are loans that you can use for just about anything you want — including a memory care facility. Personal loans are unsecured loans, which means that they're not backed by something you own and could lose if you default on the loan.

### Pros

- Personal loans are a great option if you need to pay off the loan over a period of time.
- Personal loans are not backed by collateral, which means the lender who gives you a personal loan can't take your home or car if you stop making your payments.
- You can pay back your debt in regular installments.

### Cons

- A personal loan sometimes has a higher interest rate compared to other types of loans.
- A personal loan may not be enough to cover the length of time that someone will be in a memory care facility.

### Medicare/Medicaid

Medicaid is a federal and state program that provides health coverage and offers help with medical costs for some people with limited income and resources. Your loved one may fall below the income and asset requirements for Medicaid and may be eligible for the government benefit to pay for a long-term care facility. "In the middle of the spectrum is where most of the country sits — they don't have enough money to self-insure

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throughout their illness, yet they still have too much in income and/or assets to qualify for Medicaid," says Shah.

Your loved one may also qualify for Supplemental Security Income (SSI), which is cash assistance given to individuals who are either aged 65 or older, blind or disabled. This benefit can pay some or all of the costs.

Social Security can help supplement your income, too. Your loved one's Social Security benefits will continue even if he or she has dementia. In fact, among those 80 and older, Social Security provides income for 76% of Social Security beneficiaries and compiles nearly all the income for 47% of them, according to the Center on Budget and Policy Priorities.

Medicare is also an option, as it often pays for some portion of memory care for people 65 and older, but your loved one won't qualify if he or she doesn't meet the age requirement. "Medicare often pays for some portion of memory care for people age 65 and older, but they will typically still incur some out-of-pocket costs," says Ryan Patterson, CEO of SeniorAdvice.com.

Note: Medicare does not cover the full cost of long-term care, but it does cover care planning with a medical professional, according to the Alzheimer's Association. Your loved one and his or her caregivers can learn about treatments, clinical trials and services available in the area. You and your loved one can access information and support that can contribute to a higher quality of life.

### HSAs

Health savings accounts (HSAs) help you save money for future medical expenses and can be a great way to invest for future medical needs. HSAs are directly tied to high-deductible health plans — which means that deductibles, or the amount you pay before your insurance kicks in and pays the rest of the bill, are usually higher for these types of health plans. You can withdraw money for memory care and memory therapy using an HSA.

### Sell or rent your home

You know that at some point, your loved one may no longer be able to live in his or her home — and selling or renting your home may be the best option. Get a good real estate agent on your side to help you navigate the process. The real estate agent can help you prep your home for sale, help you determine a price and selling strategy and also help you negotiate with buyers. He or she will be the best one to help you determine that you're getting the best price for your home sale. You can use the proceeds from your home sale to pay for your memory care expenses.

### Get a home equity loan

You might also opt for a home equity loan, which is like a second mortgage. You use your home as collateral for a home equity loan, so if you stop paying back your home equity loan, your home could be taken from you to pay your lender back. A home equity loan could offer the cash flow needed to pay for your loved one's memory care expenses — but realize that it's still a loan that must be paid back.

### Reverse mortgage

You might be a spouse of an Alzheimer's or dementia patient who is still healthy and living in your own home — but you might need to pay for your spouse's memory care facility expenses at the same time. A reverse mortgage could be the answer. A reverse mortgage is a type of loan you can use to tap into the equity in your home — but you must be 62 or older. You'll stop making monthly mortgage payments and can get monthly payments or a lump sum payment for the equity in your home. You may also choose to put your funds into a line of credit that you can access whenever you need it.

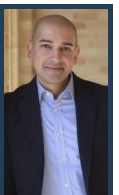
There are downsides to a reverse mortgage — and these should be seriously considered before you opt for a reverse mortgage:

- You're decreasing the amount of equity you have in your home.
- Your loan balance will increase if you don't pay down your interest over time.
- Your heirs may not benefit from the equity in your home after you die because you borrow on that equity.

### Managing your loved one's finances when they're in memory care

As your loved one's dementia progresses, you may need to take over all financial matters. Ensure that all bills are paid and accounts are taken care of prior to memory care. It's important to manage the finances in a way that is consistent with the potential needs in the future. "For example, if there's a certain amount of money which has been earmarked to help pay for care in the future, it may not make sense to subject it to wild market risks," says Shah. "On the other hand, it is possible to be too conservative. The cost of health care is going up rapidly. Therefore, having the money in an institution or an account that earns nothing and has no growth may not be the best way for long-term strategy. \$200,000 in a checking account buys a certain amount of healthcare today, but it will not buy the same amount of healthcare in 10 years. At the bare minimum, you want to find a way to maintain pace with inflation."

Neel Shah, managing attorney of the law firm of Shah & Associates is an attorney, financial advisor and author who provides insightful analysis and actionable strategies for Business Owners, Entrepreneurs, and Investors.



It's important to get acquainted with all the legal documents you need, such as a will or trust, power of attorney, and advance directive early on in the Alzheimer's and dementia stages, while your loved one still has the capacity to sign legal documents. What happens if you wait too long? You might have to file for guardianship with the courts on behalf of your disabled loved one.

Consider the following:

- A durable power of attorney: A durable power of attorney means that a trusted friend or relative will be able to handle legal, financial or medical decisions if you become incapacitated.
- Guardianship options: Guardianship is awarded by the courts to look after your personal, financial and physical well-being.

### Organizations that help with memory care financing

One organization that most commonly pays for the costs of memory care or memory therapy (other than long-term care insurance companies) is the Veterans Administration. It's for veterans and their spouses who were on active duty during designated periods of conflict. You and your loved one may also want to log some time with a social worker or a geriatric care manager to determine your loved one's eligibility for state-specific benefits.

### Don't forget about yourself

Don't neglect your own care. Plummer says that his grandpa has decided to "go down the Medicaid route to pay for the nursing home, but first, they would have to spend down all of the liquid assets — in a nursing home — before Medicaid kicks in.

Plummer says he's advised his grandpa to purchase a Medicaid compliant annuity with a portion of his liquid assets. "The Medicaid compliant annuity will allow my grandpa to convert some of the liquid assets first into an irrevocable income stream based on his life expectancy. This lifelong income will cover his expenses now, and most importantly, after my grandmother dies," he says. "After my grandfather purchases the annuity, my grandmother can then check into a nursing home, Medicaid kicks in, and my grandfather collects a paycheck," says Plummer.

It can be a heart-wrenching road ahead, and there's no one right answer to pay for all the costs. Sometimes you even have to make it up as you go along — but there are ways to make sure your loved one gets the best care possible — and be able to pay for it, too.

To contact Neel, call 609-277-3887 or visit [www.beaconwealth.us](http://www.beaconwealth.us)