

Long-Term Care: Families Face Steep Costs Even When It's 'Free'

BY RAJASHREE CHAKRAVARTY
Financial Planning

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Skilled care -- whether at home, in an institutional setting or by a professional caregiver -- is one of the most significant financial demands clients face in retirement, says advisor Joseph Birkofer with Legacy Asset Management, in Houston. "The average person has a vague idea of long-term care expenses and a lot of hope that their assets will cover them," he says. "They never sit down and actually identify the specific financial demands of their retirement days."

While professional LTC is expensive, "free" care provided by family members can be financially burdensome as well. Many people who end up relying on unpaid care do so out of necessity, says Jesse Slome, executive director of the American Association for Long-Term Care Insurance. "A significant number of people wait too long and the cost gets too high," he says.

But family members who end up acting as caregivers can incur losses of \$303,880 on average for a typical caregiver, according to an earlier Metlife study cited in AARP's 2015 "Valuing the Invaluable" report. This takes into account the loss of wages and Social Security and pension benefit losses due to leaving the workforce early.

Whether clients choose unpaid care or rely on it out of necessity, it's important to understand the hefty costs of such care.

Scroll through to see the data or view as a slideshow [here](#).

THE VALUE OF INFORMAL CARE



In 2013, the estimated economic value of unpaid family caregiving was \$470 billion. Caregivers offered 37 billion hours of care for their spouses, partners and other loved ones. The total value is based on 40 million caregivers providing approximately 18 hours of care every week at the rate of \$12.51 per hour.

This value -- which surpassed total Medicaid spending (\$449 billion) -- has risen steadily, up from \$450 billion in 2009, \$375 billion in 2007 and \$350 billion in 2006, according to the AARP study.

HURDLES AT WORK

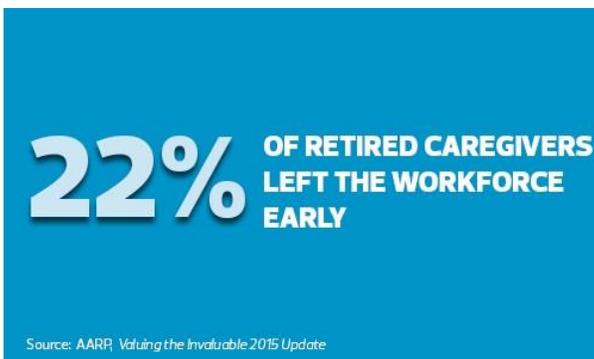


In 2014, around 60% of caregivers were employed either full time or part time and faced competing demands from their workplace, according to the AARP study. Among those caregivers, 40% were 50 years old and above.

Of those surveyed for another 2015 AARP report, "Caregiving in the U.S.," 49% made adjustments with working hours, 15% took a leave of absence, 7% received warnings about performance or attendance, and 5% had to turn down promotion offers as a result of caregiving.

"Workplace challenges often arise when children become primary caregivers of their parents," says Birkofer. "These challenges can include having to take time off in the middle of the day, using personal time to take the parent to doctors' appointments, and using vacation time to visit their parents in other cities or locations."

EARLY RETIREMENT



Family caregiving often leads to the caregiver quitting a job. According to the AARP "Valuing" study, around 22% of retirees left the workforce earlier than planned in order to care for an ill spouse or family member.

Around 83% of people in their prime working years (ages 51 to 54) may need to take care of their own parents or their parents-in-law, according to research cited in the AARP study. For those nearing retirement (60 to 69 years), more than 45% face the risk of needing to care for a parent.

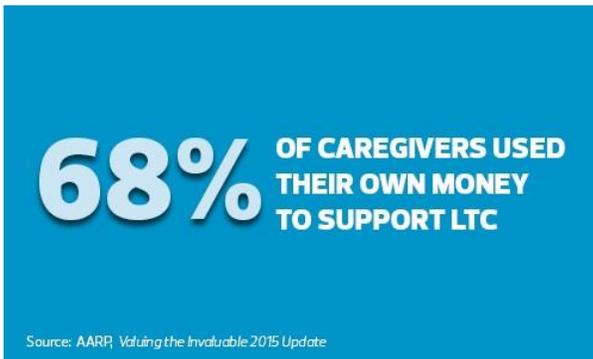
RELYING ON FAMILY



The AARP report on valuing informal care found that around 73% of adults aged 40 to 65 expect their families to provide LTC when required. This is almost seven times more than those who expect to use a home health agency, nursing home or assisted living facility.

"Most people don't think of long-term care," says Susan Reinhard, senior vice president and director of the AARP Public Policy Institute, and lead author of the "Valuing the Invaluable" report. "We all think that we will live and be very healthy; the wife knows that she is going to take care of her husband. It's not something they plan on."

FINANCIAL STRAIN



Family caregivers face financial challenges while caring for their loved ones. The AARP found that around 68% of family caregivers had to use their own money to help provide care for a relative.

Families often have to put other important financial goals -- like saving for retirement or a child's education -- on hold. "Putting off these events or borrowing money to pay for them can lead to stress for all family members," says consultant Allen Hamm, founder of Superior LTC Planning Services in Pleasanton, Calif.

"Children want their parents to be taken care of," says Birkofer. But think about this typical situation, he cautions: A father who is 30 years older than his children will be in his late 80s when his children are in their 50s, who in turn will be paying for the college education of the grandkids.

'PSYCHOLOGICAL BURDEN'



According to Hamm there are more than finances to consider: "The silent costs are costs that go far beyond the financial costs of the actual care."

While families do incur financial losses by providing care, they also experience stress and emotional challenges. Around 88% middle-income people, ages 49 to 67, said that family caregiving was harder than what they had expected, according to the AARP study on valuing informal care. It required more patience, emotional strength and time than estimated.

"Many people have the notion that a family member will take care of them, but that notion becomes very uncomfortable when you are talking about personal care like bathing or helping one go to the bathroom," says Birkofer. "That poses a physical and psychological burden."

BUSINESS LOSSES



Informal caregiving costs extend beyond families.

U.S. businesses face \$25 billion in lost productivity due to absenteeism among working caregivers. The losses reflect a range of costs including absenteeism, shifts from full-time to part-time work, replacing employees and workday adjustments, according to the AARP study.

'MONEY & TIME'



The amount of care provided increases with the age of the caregiver, according to a 2012 study from Johns Hopkins University. On average, the time spent by caregivers each week is 25.3 hours for those aged 55 to 64; 30.7 hours for those aged 65 to 74; and 34.5 hours for those 75 years and above.

Meanwhile Reinhard notes that 24% of caregivers report spending five years or more in caregiving and 26% said between one and four years.

And those providing care for 21 hours or more every week are twice as likely to have been in the caregiving role for 10 or more years, according to the "Caregiving" survey.

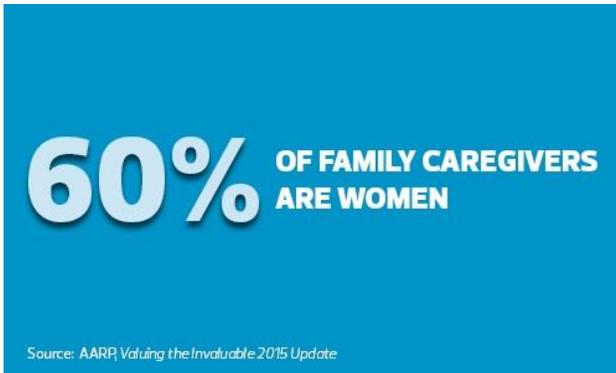
According to Birkofer, the paradox of improved medical treatment for diseases like Alzheimer's is that while medicine can reduce symptoms, it can make the caregiving period substantially longer. "The challenge in planning long-term care is two factors: money and time. Time is the hardest," he says. "Time depends on the kind of infirmity that the family member experiences."

ALZHEIMER'S & DEMENTIA



Caring for a family member with Alzheimer's and dementia not only eats away at a family's money, but also their time. According to estimates from the Alzheimer's Association, in 2010, 14.9 million families and other unpaid caregivers of patients with Alzheimer's disease and other forms of dementia provided around 17 billion hours of unpaid care. On average, caregivers worked 21.9 hours a week doing work that is valued annually at \$11.93 per hour.

IS LTC A WOMEN'S ISSUE?



"Long-term care is a women's issue," says Slome.

The majority of caregivers (60%) are women and among those receiving care, 65% are women, according to the AARP "Caregiving" survey. Additionally, caregivers more often care for their mothers (73%) while those caring for a spouse more often do so for the male partner (55%).

Reinhard disagrees. It's everyone's issue, she warns.