

How To *help with finances*

Financial Caregiving: a Survival Guide

When loved ones are ill, your first thought is to take care of them and that often includes assisting with their finances. Here's advice on how to prevent and deal with potential money problems, even from a distance.

Caregivers are among America's unsung heroes. They're the millions of people assisting an ill or elderly spouse, parent, child or other loved one with everything from medications and bathing to money management and banking. And that's in addition to juggling their own responsibilities.

How many people are caregivers? Probably more than you may think. A survey released in June by the National Alliance for Caregiving and the American Association of Retired Persons (AARP) found that one in four American families-- about 22 million households-- care for someone else aged 50 or older. That doesn't include the millions of other families caring for younger adults who, because of a serious injury or illness, cannot completely take care of themselves. And the numbers are growing each year, due in part to medical advancements that enable people to live longer than in the past.

When it comes to finances, the typical caregiver helps with or arranges bill paying, deposits, insurance and benefit claims, savings and investment decisions, housing and adult day-care, tax preparation and countless other financial duties.

The job is especially tough if a caregiver lives far away or has the usual demands on his or her time. And the stakes can be high. Among the potential financial pitfalls: bad investment decisions that can reduce a relative's assets or standard of living. These, in turn, can lead to disputes with family members or other people, which can result in estrangement or even lawsuits.

We know that caregiving can be costly and physically and emotionally exhausting. That's why we want to help. **FDIC Consumer News** has put together this roundup of financial tips, information and resources that can help if you are called upon to care for a needy relative or

friend.

Preventive Measures

Consider taking these steps before an older relative becomes ill or disabled. (Many of these suggestions also make sense for young and healthy people, to get their own finances in order.)

- **Make sure the family knows where to find personal and financial documents in an emergency.** These include bank and brokerage statements, wills, insurance policies and pension records. Explain to an older relative that you don't want to handle his or her finances or pry into personal financial information. Your main concern is that you know what documents to look for, and where to find them, in an emergency.

By having this knowledge, you can help protect this person's assets, including dividends, interest, insurance, pensions, Social Security payments, rental income and the contents of safe deposit boxes.

- **Obtain access to bank and brokerage accounts in an emergency.** To write checks or withdraw funds, you or someone else your relative trusts should become a joint owner of a bank account or simply make arrangements through the bank to be authorized to conduct transactions. Also, to have access to a safe deposit box in a crisis, the owner of the box can have a joint renter or appoint a "deputy" or "agent."

Because of the possible pitfalls or complications of giving someone else access to an account, advice should be obtained from a banker, attorney or other qualified professional.

- **Consider automatic payment of important, recurring bills.** You can arrange for water, electric and other utility bills, along with health insurance, mortgage and other regular commitments, to be paid electronically out of your loved one's checking account. This makes bill paying easier

and prevents hassles and interruptions in service if required payments aren't made. You also may be able to arrange to be notified if your relative misses a payment.

- **Consider the direct deposit of pay and benefit checks into bank and brokerage accounts.** Many consumers are leery of direct deposit and other forms of electronic banking. Among their reasons: paper checks and pay stubs are easy to verify and photocopy. But most experts believe direct deposit is safer and more convenient than paper checks. There are no delays in getting funds deposited, no checks are lost in the mail or forgotten at home, and notices about each payment and deposit can be obtained.

Also be aware that a 1996 law, with certain exceptions, requires that federal wage and retirement payments be sent electronically starting in 1999. (Final rules clarifying those exceptions are expected soon from the U.S. Treasury Department.) So, before ruling out direct deposit, consider talking to the Social Security Administration, bankers and others involved in the process to try to clear up problems or misconceptions.

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- **Try to make sure your relatives are properly insured.** Some people have too little life, health disability (loss of income), long-term care (for nursing home and home health care) or other insurance to be protected in a catastrophe. Others, especially some elderly people, are so concerned about potential medical expenses that they buy too much insurance or the wrong kind (such as cancer insurance that probably is adequately covered under traditional medical insurance).

If you have doubts about someone's insurance coverage or ability to pay for long-term care, try to get a second

opinion from a financial planner or an insurance agent you trust.

- **Encourage saving, investing and prudent spending.** If your loved ones don't already have financial goals and working relationships with professionals they trust (bankers, accountants, financial planners and so on), urge them to start. These relationships may prove especially beneficial in a crisis. The spring 1997 issue of **FDIC Consumer News** featured tips on retirement planning and saving that cover some basics. (If you need a copy, contact our Public Information Center at <http://www.fdic.gov/news/publications/PIChardcopies.html>.)
- **Discuss the importance of wills and estate planning.** The goal of estate planning is to distribute a person's assets and minimize taxes at death. For most of us, that means making and periodically updating a will. Also, various types of "trusts" or "gifts" can be arranged to help preserve assets for heirs. In general, trusts should be set up with the help of an attorney experienced in estate tax issues and estate planning.
- **Consider a "durable power of attorney."** This is a legal document giving one or more people the authority to handle finances, property or other personal matters if the individual granting the authority becomes mentally or physically incompetent.

The durable power of attorney is considered a better tool for caregivers than a basic power of attorney because it remains in effect even if the person granting the power becomes incompetent. "Of all the documents anybody signs, a durable power of attorney could be the most important, especially for someone 55 or older," says Thomas D. Begley, Jr., an elder law attorney in Moorestown, New Jersey. "It means that if you become incompetent you will have a person of your choosing ready to make decisions on your behalf, and it costs \$100 instead of the \$3,000 it takes to have a guardian appointed by a

court."

Mark Mellon, an FDIC attorney in Washington, notes that a durable power of attorney may not neatly address all cases, so check with your lawyer about what's suitable for your family's situation.

- **Suggest a "living will" or other instructions about future medical care.** If permitted by state law, most people should have a living will specifying the type of medical care they want or don't want if they become hopelessly ill and are unable to communicate their wishes. Experts also recommend a "health care power of attorney" or "health care proxy" designating a family member to make decisions about medical treatment.

Among the reasons for living wills and health care proxies: they can prevent unwanted, unnecessary, and costly medical procedures.

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- **Try to get an accurate assessment of your loved one's financial situation.** That's especially true if your relative is secretive about his or her finances. Claire Berman, in her 1996 book "Caring for Yourself While Caring for Your Aging Parents," tells of a man who was led to believe his 87 year-old father, living a distance away, was managing OK money-wise. Then a neighbor called to say his dad's electricity had been turned off. "There was, in fact, no money to speak of," the man said. "Dad simply had been too proud to tell me that, and I'd been too respectful of his privacy to press him on the money issue." The two then spoke frankly about finances and how the son could help. "It's the kind of father-son talk," he said, "that should have taken place years earlier."

After a Crisis

The following should be on any family's checklist if a relative becomes ill or disabled.

- **Get solid financial and legal advice from professionals you know and trust.** Contact bankers, lawyers, accountants, insurance agents or financial planners your family has dealt with in the past. Let them know of your situation and your problems. Ask how they'd recommend you deal with matters, and find out how they can assist.
- **Consider working with lawyers and financial advisors who specialize in helping the ill or elderly.** Examples: "Elder law attorneys" regularly handle estate planning, Medicare and Medicaid issues, insurance disputes, fraud cases and other legal affairs affecting the elderly. "Daily money managers" are professionals who pay bills, balance checkbooks, monitor insurance claims and handle other daily financial responsibilities for other people. And "geriatric care managers" typically are nurses or social workers trained to help, or find help, with various tasks, including money management and evaluating housing options.

Work only with professionals you believe are reputable and ethical. If friends or relatives can't give you a referral, talk to your doctor or your doctor's bookkeeper, or a social worker at a hospital or nursing home. See More Help and Information for Financial Caregivers.

- **Take advantage of free or low-cost assistance programs.** Many lawyers, financial advisors and other professionals offer free initial consultations. But for ongoing assistance at little or no cost, consider the services available from private organizations and government agencies in your city or state.

Examples: financial counseling that employers make available to workers and their families; "social service agencies" sponsored by state or county government agencies and private organizations, including those affiliated

with certain religious groups but available to people of any faith; the local or national offices of disease-specific organizations (such as the American Cancer Society or the Alzheimer's Association); and other membership groups (such as the AARP). One way to track down these programs is through the Eldercare Locator (see More Help and Information for Financial Caregivers), a service of the U.S. Administration on Aging.

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- **Closely review your relative's insurance coverage and government benefits.** You may be surprised, for example, to find a disability insurance policy covers more than just wages; it also could pay for physical therapy or other services. Similarly, a life insurance policy might have cash value or, in dire situations, an option to receive an advance payment of some of the policy's death benefit. You or someone knowledgeable should check out your relative's rights and benefits under Social Security, Medicare, Medicaid, private insurance and employee benefits.

One former caregiver told us that the bookkeeper at the doctor's office helped his family get thousands of dollars in unexpected insurance payments "because she knew the insurance companies, she knew the rules, and she knew the mistakes we were making."

- **Respect your relative's opinions and desire for autonomy.** "Caregivers mean well but often, out of their own anxiety and guilt, become overly protective and begin making decisions that the relative is fully capable of," says Gail Hunt, executive director of the National Alliance for Caregiving, a Washington-based organization for families caring for older Americans.

"The care recipient, even if physically frail, should always be making his or her own financial decisions," Hunt says,

adding that important decisions should be in consultation with other family members, if appropriate. "The caregiver may have to step in if confusion, dementia or mental illness becomes an issue."

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- **Share financial decisions with the family.** A 1995 guide to elder care finances published by North Carolina State University recommends that family members discuss pending matters "to be sure that legitimate concerns are raised and considered before action is taken." The person you're caring for always should be given as much control and involvement in financial decisions as possible. And if you must assume full responsibility for a relative's finances, the guide recommends that you continue to share information with other family members. "Open, honest revelation of specific financial decisions as they are made may reduce the possibility of later recriminations," it says.

You might even want to consider family meetings to discuss finances, just to keep everyone current on spending and income. It's generally also wise to keep good notes about significant discussions you have with family members and the actions taken as a result.

- **Think about sharing duties with family and friends.** Some regular responsibilities, such as bill paying or deposit making, might be done most efficiently by one person. But don't be shy about asking family, neighbors and old friends to help out where appropriate, from occasional banking matters to basic errands, phone calls and letters. Those with legal, health-care or financial training can be particularly helpful with certain tasks. If help is available on a regular basis, that's even better. You'll need a break periodically.
- **Be aware of your potential liability.** A caregiver may become a joint owner of a checking or savings account, serve as a

legal representative (through a power of attorney) or become someone's trustee or guardian. Any time you agree to share responsibility with or for someone else you may be taking on unexpected risks and liabilities. James N. Mulvaney, an attorney for a Chicago bank, recommends that before a caregiver signs a document (such as a power of attorney) that is "prepared by or for someone else, it's good to get a second opinion from a lawyer who is loyal only to you, the caregiver."

Here's another pitfall worth considering: If a relative adds your name to a joint account at a bank where you already have deposits, this unintentionally could put some of your money over the \$100,000 federal insurance limit. This is because, for example, under the FDIC's insurance rules your share in all joint accounts at that institution would not be insured for more than \$100,000. If you have a question about your insurance coverage, contact our insurance specialists as noted in the section For More Help.

- **Be prepared for out-of-pocket expenses.** Caregivers don't get paid, often don't get thanked, and frequently don't get reimbursed for long-distance phone calls, travel, groceries, medications, personal care items or other purchases.

Of course, as a caregiver your main concerns are to help someone who's helped you in the past, and to know that this person is being well cared for. Even so, the costs of caregiving can be substantial. The recent survey by the National Alliance for Caregiving and the AARP found that families caring for an elderly relative spend an average of \$171 of their own money each month. This doesn't include "hidden" costs, such as unpaid leave from work.

- **Take advantage of the many housing options available.** It's likely that your ill or elderly relative would prefer to live at home than move in with you or others. That's more possible than ever, thanks to an increasing number of housing options and services available in most communities.

Someone wanting to stay at home can benefit from in-home nursing care and housekeeping services, as well as adult day-care centers where ill or elderly people can spend a large part of their day. There also are retirement communities and apartment buildings where some form of health care or assistance with daily tasks is available. Costs of housing assistance can be considerable, but many services may be covered by Medicare, Medicaid or other insurance.

- **Make frequent visits to your relative... and to the workers around them.** You'll want to know that your loved one is getting good care from a hospital, nursing home, retirement community, day-care facility or any other institution or service you use.

Caregivers say that one of the best ways to ensure quality service and to prevent neglect or abuse (including charging for services that aren't provided) is to make frequent, unscheduled visits, at different times of the day or night. You can see for yourself what's going on and, as one caregiver told us, send a message to workers that "someone on the outside is watching."

If you suspect that your relative has fallen for a scam, don't be critical. Don't embarrass or humiliate the victim. Instead, calmly explain that the friendly person supposedly offering great deals may indeed be a crook.

- Be on guard against financial scams targeting the sick or the elderly. Fraud artists know that ill or elderly people tend to be lonely and willing to listen to and trust strangers who call on them-- ideal candidates for telemarketing fraud, bogus home repairs, get-rich-quick schemes and other cons. See Clues at the Crime Scene for a list of steps you can take to find out if an ill or elderly relative has been victimized by a fraud scheme.

If you discover a problem, the National

Fraud Information Center (NFIC), part of the National Consumers League in Washington, says: "Don't be critical. Don't embarrass or humiliate the victim. Don't get angry." Instead, calmly explain that the friendly person supposedly offering great deals may indeed be a crook. If you think a crime has been committed, contact the NFIC toll-free at 800-876-7060 or through its Internet site (www.fraud.org) and it will provide the information to the appropriate law enforcement authorities.

- **Be smart about borrowing money.** Your relative might need extra help to pay for medical or other expenses. In some cases, it might make sense to use a credit card or go to a financial institution for a loan. Seniors who own a home may be able to borrow against the built-up equity, using a second mortgage, home equity loan or reverse mortgage. Some banks also have loan programs just for the disabled, such as loans to buy specially equipped vans, or to make homes and businesses more accessible to the handicapped.

Before agreeing to any loan, make sure the debt would be manageable, and thoroughly research and discuss the pros and cons. Also remember that under the Equal Credit Opportunity Act, a creditor cannot deny or terminate a loan because of someone's age or a disability.

Final Thoughts

As a caregiver, it's easy to feel overwhelmed and to forget to take time for yourself. That can lead to burnout, which isn't good for you or for the relatives who depend on you. But with the many resources available nowadays, a caregiver doesn't have to be alone when making or carrying out decisions.

Get help and guidance from family, friends and professional advisors. Take advantage of the many government agencies and religious and private organizations that provide services to the caregivers as well as the ill and the elderly. Some of these organizations are noted on the next page. Support like this could be just what the doctor ordered...for you and your family.

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<http://www.fdic.gov/consumers/consumer/news/cnsum97/fincare.html>

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