



aPlaceforMom.

5 BEST-KEPT SECRETS *to Financing Senior Care*

U.S. EDITION



5 Best-Kept Secrets

Thank you for contacting A Place for Mom. We hope you find this guide to be a helpful resource as you consider options for financing senior care.

A Place for Mom is the nation's largest senior living referral information service. For 14 years, our company has been helping seniors and their families across the U.S. find senior care and housing that fits their personal needs. Our knowledgeable and compassionate Senior Living Advisors are easy to talk to about any family situation and can answer a wide range of questions about senior care. With a nationwide network of more than 18,000 providers of senior living services, A Place for Mom is a time-saving resource you can trust to help find appropriate living options for loved ones. We are paid by our participating communities and providers to offer this valuable service to you at no charge.

If you have questions about financing care or finding senior living options in your geographic area, please give us a call. We'll connect you with a Senior Living Advisor who will help guide you every step of the way.

Again, thank you for your interest in A Place for Mom. We look forward to your call.

–A Place for Mom

We empower families to make informed and confident decisions regarding senior care and housing options.

“How do I pay for senior care?” It's a question that many aging Americans and their families struggle with now more than ever. With the economy taking its toll on investment nesteggs and a sluggish real estate market making it difficult to sell the family home, retirees may need to look beyond traditional ways of financing their golden years. From innovative new financial vehicles to under-used benefits, we've turned up five hidden ways to pay for elder care.

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1: CHECK YOUR BENEFITS

VETERANS AID & ATTENDANCE

Did you know that the Veterans Administration will pay a monthly benefit to any active-duty veteran or veteran spouse in need of care? Any vet who has served even one day during a period of foreign war can apply for the Aid & Attendance Special Pension; beneficiaries need not have served overseas, retired from the military, or seen combat. Surprisingly, however, only a few of those who are eligible for these benefits take advantage of them.

Under recent increases to the new benefit plan, a married veteran can receive over \$2,000 s per month to pay for senior care, while a veteran's surviving spouse can receive just over \$1,000. Funds can be used to pay for any kind of assistance, from in-home attendants to assisted living or nursing home care. Veterans can even pay family members or friends to help them, whether or not they are licensed medical professionals.

The pension is “medically driven,” says Chris Merrill of the National Care Planning Council, an organization that helps families plan for long term care. The disability does not need to be service-related. Any vet who has difficulties with one or more activities of daily living, such as eating, bathing and dressing, as well as financial planning and medication management, may be eligible.

Aid & Attendance is also income- and asset-dependent. “In order to get the full benefit, I need to be paying out in care everything that's coming in to me as income,” says Merrill. There is also an asset maximum, the amount of which varies with life expectancy. Given the number of veterans and their survivors in the U.S. population, the National Care Planning Council estimates that up to 25% of seniors could potentially apply for Aid and Attendance. But, “it's our belief that of all the people eligible, only five percent receive this benefit,” says Merrill. Even veterans who have heard of the pension may not realize they can receive benefits if they themselves are healthy, but their spouse is sick—up to \$1,337 per month, in fact.

OTHER SOURCES OF HELP

Even if you're not a veteran, both public and private programs offer benefits to seniors feeling a financial squeeze. From sources of information about long-term care to foreclosure-prevention assistance and subsidies for food, medication and housing, the National Council on Aging has identified more than 2000 different programs assisting seniors in making ends meet. That's free money, and it often goes unclaimed.

“There are lots of programs out there to make ends meet,” Scott Parkin, vice president at the NCOA, told the U.S. News and World Report, “but it's rare that more than half the people who qualify actually use them.”

For instance, the Alzheimer's Association offers a \$1,000 grant to defray the cost of respite care. The money can be used to give families a break from daily caregiving responsibilities so they can provide better in-home care for loved ones suffering from Alzheimer's.

Other programs include rebates from drug manufacturers on senior medications, assistance with paying utility bills, free or reduced dental care, and even free cell phone minutes. While many of these programs are for very low-income seniors, others are open to those with slightly higher incomes who are still having a hard time making ends meet. “We encourage anyone who may know a struggling older adult to go ahead and do a screening to see what help may be available,” says Brandy Bauer from the National Council on Aging.

To learn more, visit the National Council on Aging’s benefitscheckup.org. Answer a series of survey questions to identify benefits that could help cover or lessen the costs of senior care. Once you finish the survey, the site creates a report detailing which programs could be beneficial in your situation and tells how to apply for them. Since the site’s founding in 2001, it has identified more than \$10 billion in benefits for more than three million older adults.

VA BENEFITS ELIGIBILITY

The following people are eligible for benefits:

- Any veteran with 90 days of consecutive active-duty services
- Any veteran who served at least one day during active war time (not necessarily overseas or in actual combat)
- Any surviving spouse of a veteran who was married to said veteran at the time of his or her death

HOW TO APPLY FOR VA BENEFITS

Many communities partner with companies that provide consulting services to veterans and their families. Be sure to ask when you tour a new community!

Go to www.va.gov and use the Veterans Online Application (VONAPP).

Contact your VA Regional office. To locate the closest regional office to you visit the VA website.

No Computer? No problem, Call the VA: **1-800-827-1000**.

2: MAKE THE MOST OF SOCIAL SECURITY

You won't often hear this applied to financial planning, but it's becoming increasingly common when it comes to Social Security benefits: delay.

In the past, it was best to take benefits early and invest them, but today, that's not necessarily true. Today you can maximize benefits by taking advantage of delayed retirement credits. Depending on when a retiree was born, benefits increase by 3-8% every year. For instance, if you wait until age 70 to collect and that monthly check could increase by 25% or more. What's more, a surviving spouse receives the entirety of that benefit upon the worker's death, making those delayed retirement credits even more valuable.

If you are in poor health, if you have a family history of early mortality or if you simply need the money, delaying benefits may not be possible. But, with life expectancy at retirement currently standing at 17.2 years for males and 19.9 years for females, odds are that the larger monthly check will quickly pay off—and continue paying, with regular cost of living adjustments.

Beyond a simple delay, many married couples will find that they can maximize their benefits by thinking carefully about which spouse should file for benefits when, and by taking advantage of new rules regarding spousal benefits. Take the example of a married couple where the wife earned much less than her husband over her lifetime. In the past, the wife would have had to wait to file for spousal benefits (totaling 50% of her husband's benefits) until her husband began receiving his own Social Security checks. But today, a worker can now "file and suspend" benefits at age 65, continue working and accumulate delayed retirement credits while his or her lower-earning partner collects spousal benefits immediately.

Married couples with similar incomes can also approach Social Security tactically. If one member of the couple decides to retire, the other can collect spousal benefits and delay receiving his or her own benefit in order to increase the size of the eventual monthly check.

Don't forget that the minor children of those collecting Social Security also receive a benefit, and that divorced spouses can receive spousal benefits in some cases. In today's volatile fiscal environment, Social Security represents a valuable and stable source of funds (1/3 of the average retiree's income) and it pays to maximize the return on your own investment.

IMPORTANT STEPS FOR GETTING YOUR AFFAIRS IN ORDER

- Gather all the information you can about your income, investments, insurance and savings
- Put important papers and copies of legal documents in one place
- Tell a trusted family member or friend where you put all your important papers
- Give consent in advance for your doctor, lawyer and any financial advisors to talk with your caregivers as needed

3: LEVERAGING YOUR INSURANCE

One of the best ways to pay for senior care expenses revolves around long-term care policies. Increasingly flexible long-term care policies can meet needs ranging from adult day care to skilled nursing, with “care allowance” plans providing a daily or monthly stipend rather than simply covering expenses incurred. A few policies will even pay a family caregiver for in-home care. Premiums may be tax-deductible, and benefits from tax-qualified plans are non-taxable, making this option even more attractive.

Yet the high cost of long-term care insurance may make some seniors wary, especially given the hefty (and unpredictable) premium increases some insurers have levied on existing policies in recent years. For those worried about losing their investment if they never need long-term care, new financial vehicles like hybrid long-term care/life insurance policy or long-term care annuities make sense.

So-called hybrid or linked policies can be the best of both worlds. After paying either a lump sum annuity or life insurance premiums, the policy holder is guaranteed long-term care. If no long-term care is needed, death benefits accrue for the policy’s beneficiaries. Distributions are income tax-free when they’re used to pay for long-term care.

There are a few downsides, however, as hybrid plans may have less flexibility, failing to cover home care, for instance, and they may not offer as much coverage as a stand-alone plan. Linked policies are often more expensive than traditional long-term care insurance policies (though less expensive than buying two separate policies).

Many factors come into play when choosing a specific policy, from deductible amount to potential overlaps with private insurance or Medicare. Seniors may find it helpful to consult a long-term care advisor or to educate themselves carefully before buying.

USING LIFE INSURANCE TO FUND LONG-TERM CARE

Many seniors have funds invested in a life insurance policy but need ready money once there’s a change in a health status or a living situation. There are a number of options for using life insurance as a source of funds; including cash surrender, death benefit loans, accelerated death benefits and life or viatical settlements. Choosing a method of accessing these funds requires careful consideration of a senior’s life circumstances as well as the tax consequences of a decision.

Whole life and universal life policies build a reserve of cash through interest-earning excess premiums. This is called the policy’s cash value (as opposed to its face value, or the death benefits it offers). Policy holders can access this accumulated cash value using withdrawals, loans from the policy, or a cash surrender of the policy. In a cash surrender be wary of surrender fees, depending on how long you’ve owned the policy, and note that the gain on the policy is subject to income tax. A cash surrender gives up the policy’s death benefit and depending on the policy-holder’s age and physical condition, it may be difficult or expensive to replace this coverage later.

Death benefit loans borrow from a life insurance policy's cash value. These loans have low interest rates and no repayment schedule, but if they aren't repaid with accrued interest after the policy-holder's death, the death benefit will be reduced by the amount of the outstanding loan. Death benefit loans come in a lump sum that can be used for any purpose.

A new option called accelerated death benefits allows a policyholder to receive a portion of a policy's death benefits before their death. The policy beneficiaries still receive a death benefit, just reduced by the amount of the ADB. Policyholders receiving ADB must still make their premium payments, unlike a life settlement, and unlike a death benefit loan, accelerated death benefits do not need to be repaid. This option is reserved for the terminally ill.

In a life or viatical settlement, a policyholder sells life insurance to a third party for a lump sum, usually more than its cash surrender value but less than its face value. This third party (the life settlement company) continues to pay the premium until the policyholder dies, at which point they collect the death benefits. Proceeds from a life settlement can be used for any purpose, from financing assisted living to remodeling a home to make it senior-friendly. (Life and viatical settlements are quite similar, except that viatical settlements are typically designed for those with a life expectancy of five years or less.)

Note that the cash from a life settlement or accelerated death benefit may change a senior's financial status, making him or her ineligible for Medicaid or Supplemental Social Security. There are also tax implications to consider. The difference between the premiums paid and the cash settlement are taxed as capital gains, though some deductions may be available if the cash is used to pay-for long term care. Consult a tax professional to understand all tax implications of a settlement.

Wondering when to use which option? A cash surrender is typically best for policies with a substantial cash value, while life settlements make most sense for policies with little or no cash value. Death benefit loans and accelerated death benefits are for those who wish to preserve benefits for their survivors and who are financially able to continue paying premiums. If you do decide to go for a life settlement, it's well worth your while to pay for the services of a reputable licensed broker who can help make sure you get a fair price for your policy.

Both cash surrenders and life settlements are a viable option in several circumstances, especially when the policy holder is having trouble paying the premiums and is in danger of having their policy lapse. They are also a good idea if the policy holder has outlived his or her beneficiaries or in the event of a severe liquidity crisis. But these settlements have high transaction costs, tax implications and troubling privacy considerations.

Points to consider carefully when considering any sale of a life insurance policy include:

- The impact on survivors
- How debts or medical expenses incurred by the policy-holder's death will be paid
- If short-term access to ready money is worth losing the tax-free death benefits
- If the policy holder recovers and their insurance is gone, then they may not be insurable

ARE YOUR FINANCIAL RECORDS IN ORDER?

It's a good idea to have all of the following information easily accessible:

- Sources of income and assets
- Information about insurance policies, bank accounts, deeds, investments and other valuables
- Social Security and Medicare information
- Investment income and stock brokers' names and addresses
- Insurance information with policy numbers and agents' names
- Name of your bank and bank account numbers
- Location of safe deposit boxes
- Copy of most recent income tax return
- Copy of your will
- Liabilities – what you owe to whom, and when payments are due
- Mortgages and debts
- Location of deed of trust and car title
- Credit card and charge account names and numbers
- Property tax information
- Location of all personal items such as jewelry and family treasures

4: BRIDGE OVER TROUBLED HOUSING MARKET

BRIDGE LOANS

Traditionally, Americans' most valuable asset is their home. But, with houses lingering on the market for months or even years, that capital may not be available when the time comes to make the move to a higher level of care. How should you unlock the cash that's been so carefully invested over the years?

In the short term, at least, an Elderlife Line of Credit is one answer.

Elderlife Financial offers a unique line of credit designed to provide temporary financial assistance for assisted living or skilled nursing.

With its rapid turnaround time, this loan can be especially useful when dealing with urgent needs that must be met before other long-term financial resources can be tapped.

The Elderlife Line of Credit is unique in that up to six family members or support persons can apply, sharing the financial responsibilities for one senior's care. Multiple applicants also make this loan easier to secure by sharing the financial risk (and the danger that an individual applicant's credit score won't be high enough for this unsecured loan).

HOME PURCHASE PROGRAMS

With assisted living occupancy rates falling right along with real estate values, some providers have taken it upon themselves to help seniors with the transition from their family home. The nation's largest owner and operator of senior living communities, Brookdale Senior Living, offers a Home Sale program for seniors looking to move into one of their continuing-care retirement communities, called LifeCare.

This program not only helps home-sellers with details like pricing and staging, it allows seniors to move in a community using just 20% down, deferring full payment interest-free until the family home sells. If it fails to sell, Brookdale itself will buy the home at a price guaranteed at the time it went on the market.

5: THE REVERSE MORTGAGE

Reverse mortgages let homeowners stay in their own home while also tapping into the equity they've built up over the years. Mortgage holders get tax-free cash flow as a loan against that equity--a loan that doesn't need to be repaid until the house is sold or the owner moves out or dies.

There are some significant advantages to this type of loan:

- They place no restrictions on how the money can be used. Offsetting in-home care, buying long-term care insurance, financing—it's all on the table.
- Homeowners can never owe more than their home's value at the time of sale, meaning that if the home's value goes down, heirs won't be stuck with the bill.
- Reverse mortgages do not affect Medicare or Social Security benefits.
- There are no credit score or income requirements.

Reverse mortgages can be expensive; fees are higher than a conventional mortgage, and closing costs run from 2 - 8% of the loan amount. You may be forced to sell your home if you need to leave it for an extended stay in a hospital. It's also important to remember that taking out a reverse mortgage is actually withdrawing the equity from a home, and as interest compounds on the reverse mortgage balance, the value of the estate declines at a progressive rate. Mortgage holders will also not be able to pass the family home down to their heirs after their death.

Who is a good candidate for a reverse mortgage? A single senior living independently who is in good health, married seniors in good health, or a married couple, one of whom needs care while the other plans to stay in the home. But, for those who might need to move into assisted living or need nursing home care a reverse mortgage might be a complicated, costly option. Consider renting or selling the family home instead.

Regardless of the situation, be sure to vet lenders and their terms thoroughly; unscrupulous lenders have been known to cheat senior citizens with mortgages containing punitive terms and fees. HUD-sponsored counseling agencies provide free or low-cost advice from an impartial source and will help you locate a FHA-approved, reputable lender. Visit the HUD website to find out more.

CH. 6: **MAKING USE OF ALL THE TOOLS AVAILABLE**

Paying for senior care can be a daunting prospect in the current economy, but a little knowledge can go a long way in preparing for this time of life. No matter what financial route you choose, it's important to do your research, read the fine print and consult professionals when needed. Get creative and combine as many resources as you can. Planning means peace of mind, for seniors and for their families.

CALL US TODAY! (866) 333-2930