Checklist: Is It Time for Assisted Living?

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–Jennifer Reimer

How do you know when loved ones are ready for assisted living? Use these guidelines to help spot the warning signs of aging and illness.

Rosalyn Carter once said: "There are only four kinds of people in the world—those who have been caregivers, those who are currently caregivers, those who will be caregivers, and those who will need caregivers." In light of the longer lives we now enjoy, it's very probable that many of us, at one time or another, will have to provide support for an aging parent or relative.

Families are often slow to recognize that a beloved family member needs help with their everyday activities. Nor are they prepared for the financial burdens involved. But both the emotional and financial costs of caring for the elderly can be even greater if the signs of illness are caught later, rather than sooner.

Who's at risk?

The National Center of Health Statistics' most recent study on long-term care providers found that about 8 million older adults needed long-term care and assisted-living services in 2015. That figure is expected to rise to 12 million by 2030.

Another study, by the U.S. Department of Health and Human Services, indicates that 65-year-olds face at least a 40% risk of entering a nursing home. According to the annual Genworth Cost of Care survey, the average annual cost of a semiprivate room in a U.S. nursing home was $94,896 per year in 2021. The American Council of Life Insurers estimates that the annual cost of nursing home care will rise to as much as $200,000 in less than 30 years.

Anticipating the need for assisted living helps your clients defray costs. Answering the following questions will indicate whether a loved one has retained the ability to live independently or whether intervention is necessary.

Independent living test

Medications:

- Are prescriptions not being refilled, resulting in failure to take medication when scheduled?
- Has taking medication become difficult due to poor memory or confusion? Evidence may include: pills taken together that shouldn't be, different pills mixed together in a pill box, or an over- or undersupply of pills.
- Have conditions previously under control become acute because medication is not being taken correctly?

with your personal financial goals, this is generally a declining-rate strategy, not one undertaken in anticipation of rising rates.

- **If you have an adjustable-rate mortgage (ARM),** on the other hand, you have a decision to make: Should you switch to a fixed-rate mortgage before rates go higher, or stick with their ARM (depending on what the spread is)? The ARM can be a better deal if you don't plan to stay in the home for more than a few years.
- **Home equity loans and lines of credit.** Here you're dealing with the fixed vs. adjustable question again. If you have a fixed-rate home equity loan you can sit tight. If you have small, short-term loans or lines of credit tied to the prime rate, you may want to lock in a fixed-rate loan before rates go much higher or you plan to pay off the loan fairly soon.
- **Auto loans and leases.** According to Bankrate, auto loans typically reflect rate increases before the Fed's move, responding to yields on Treasury securities. If you are thinking of buying a car, you may want to do it when financing incentives offered by dealers are most attractive.
- **401(k) loans.** Rates on 401(k) loans are usually tied to the prime rate, so it is not possible to lock in a rate on these loans. Better to pay them off, perhaps taking out a fixed-rate home equity loan to do so.

Asset management

Savers typically rejoice at the prospect of rising interest rates, but use caution if you are thinking of locking in higher yields while rates are still rising.

- **Ladder maturities.** Laddering CDs or short-term fixed-income securities is a classic strategy when rates are in flux and you don't want to commit too much of your portfolio to one particular scenario. If rates jump, you've always got something coming due that can be reinvested at the higher rate. When rates are rising, you want to keep the ladder fairly short—say, up to three years—gradually lengthening the ladder as rates continue to rise.
- **Special situations.** Believe it or not, some bonds hold their value when interest rates go up. This can happen when something other than interest rates exerts a greater influence on the bond's price, such as when a bond's credit quality improves.

  By searching out special situations (or finding professional money managers who have the time and resources to thoroughly analyze the bond market), you may be able to achieve long-term yields with minimal interest-rate risk, but since this strategy involves buying bonds of lower quality in the hope that the fortunes of the issuer improve, there's still a good deal of risk involved. Definitely discuss a special situations strategy with an investment professional.

Estate planning

Certain estate planning strategies are worth more if they are implemented when rates are low and the strategies are appropriate for your situation. It is also a good idea to check with your tax advisor before making any irrevocable decisions:

- **Grantor-retained annuity trust (GRAT).** A GRAT is used to shift assets to family members before they appreciate in value. The grantor places assets in trust and receives a portion of the assets each year in the form of an annuity. A gift tax is triggered at the time the assets are transferred into the trust, with the value of the gift being the fair market value of the assets minus the grantor's retained interest, which is the present value of all of the annuity payments over the term of the trust.

  Both the annuity payments and the present-value calculation are tied to the 7520 rate, which changes every month based on Treasury bond yields. The lower the 7520 rate, the less income the grantor is

Food and groceries:

- Based on past food habits, are the cupboards frequently empty or being filled with unusual foods?
- Is the food in the refrigerator often spoiled or kept long beyond the "use by" date?

Daily business:

- Is the mail being picked up and opened regularly, or is it remaining uncollected and/or unopened?
- Are credit cards or checkbooks being misused or not balanced as well as in the past?

Social contact:

- Has the amount of social contact changed dramatically, so that there are few public outings or limited social visits with close friends?
- Has the ability to drive deteriorated? Is there a fear of driving or a recent history of multiple minor accidents that is leading to isolation?

Living habits:

- Has there been a change in living habits, manifested in dress or appearance, or a decline in personal hygiene not related to physical disability?
- Is dress appropriate for the weather?
- Have housekeeping habits changed so that a normally neat and orderly home is now cluttered and not cleaned regularly?
- Are pets that were normally well cared for suddenly not being fed or cared for as they had been in the past?
- Is there a sudden increase in ordering unnecessary items through mail or televised advertisements?

Calls to family members or health care providers:

- Has there been an increase in panicked calls to family or medical providers without apparent need?
- Have unnecessary calls been made to 911?

Think ahead

While it may be difficult to think of a parent or family member as needing assistance, it may be a greater disservice not to get them the care they need as early as possible.

There are a number of resources available for those who are caring for an aging relative. Here are just a few:

- Aging Parents and Elder Care (www.aging-parents-and-elder-care.com)
- American Association for Home Care (www.aahomecare.org)
- American Society on Aging (www.asaging.org)
- Children of Aging Parents (www.caps4caregivers.org)
- National Alliance for Caregiving (www.caregiving.org)
- National Family Caregivers Association (www.nfcacares.org)

Jennifer Reimer writes on financial planning and caregiving.