<u>Caregiving and Retirement</u> – *contributed by Sandra D. Adams, CFP®*

The statistics are overwhelming. According to the most recent AARP Caregiver study (2015), there are over 40 million family caregivers in the United States providing an estimated 37 billion hours of care for older adults. The estimated economic impact of this care is $470 billion. As of the 2015 study, 61% of caregivers were women. What does this mean in the context of retirement for these caregivers?

There can be two distinct groups of caregivers impacted: there is a certain and deep effect on caregivers who are in the pre-retirement phase and a very different effect on those caregivers who are already retired. The impact can be life altering – emotionally, psychologically, and most importantly to retirement goals, financially.

First, let's take a look at how caregiving impact those in pre-retirement. Many older adults either plan for their family members to care for them in older age or their failure to plan leaves them no alternative but to rely on family members for their care. This often leaves their children -- many times their not yet retired children -- to make significant changes to their lives in order to care for them. What these older adults do not realize is that these life changes they are ultimately asking their children to make may be significantly impacting their adult children's long term financial future – essential their ability to save for their own retirement.

<u>A 2015 AARP Study "Valuing the Invaluable" found the following:</u>

- 61% of family caregivers made workplace adjustments, which included cutting hours, taking leaves of absence, receiving warnings about attendance and turning down promotions, all of which affected pay negatively.
- $300,000 is the average amount in lost wages and benefits incurred by family caregivers over age 50 who leave the workforce to provide care.
- 22% of caregivers left the workplace early (retired earlier than planned), which affected potential retirement savings, pensions and/or Social Security benefits.
- 68% of caregivers used their own money to support long term care costs, which drained funds they had planned for their own future financial independence.

The AARP study only just begins to tell the story. Working caregivers often experience a loss of productivity, as they more and more often are forced to handle caregiving duties during work hours. While it is sometimes possible to use flexible work schedules, family leave time, and other devices to handle work and caregiving duties, more often than not, work suffers at the expense of caregiving duties. For those that find it necessary to take even a temporary leave from their work, they may find that pay is compromised. At the very least, many find that the trajectory of their career path is significantly slowed, if not halted, which can change one's financial plans significantly.

When it comes to retirement planning, one of the most significant and important factors, more than how much you make, is how much you save. The more years you have to save and the more you can save in those years, the better the chance you can have a successful retirement. Those who are forced to retire before they were planning to, especially if they were behind in their retirement savings to begin with, are less likely to be successful in retirement. In addition, Social Security benefits generally assume that you will work/earn until your full retirement age in order to provide you with the benefit reported to you on your Social Security earnings statement. When you work a significant number of years less than your full retirement age, the Social Security Benefit you will be paid may be less that you might be expecting (even though the earnings are averaged over 35 years).

Money may not be the first thing that comes to mind when one you think about caregiving, but according to "The Journey of Caregiving: Honor, Responsibility and Financial Complexity", from Merrill Lynch and Age Wave, more than 90 percent of caregivers say they are also financial caregivers. A 2017 Transamerica study reported that 18 percent of family caregivers have taken a withdrawal from a retirement account due to caregiving. According to AARP, family caregivers spend an average of $7,000 annually on out of pocket expenses. For caregivers assisting relatives with dementia or those needing help with multiple activities of daily living (bathing, dressing, transferring, etc.), the costs are even higher, averaging $10,000 a year.

What Can Pre-Retirees Do to Help Avoid Some of the Caregiver Pitfalls?

- *First and foremost, plan ahead*. Work with your aging parent(s) and have a plan, especially from a financial perspective, for future long term care costs so that they can either pay for professional caregivers OR pay you or other family members to provide care to offset what they might be giving up by stepping away from their planned career path.
- *Secondly, know what resources are available*. Outside of your family, know what community and government resources might be available to relieve stress from your family or prevent you or your family from having to take time away from work, if possible.
- *Communicate, communicate, communicate*. Make sure all family members are on board with any and all plans and share in the responsibilities. If family caregiving is part of your family's plan, make sure everyone is on board and has a way to contribute (consider paid caregiver contracts, etc.). It is easier for all family members to make things work if they know in advance what they the contingencies might be.
- *If financial resources are plentiful enough, get help*. Consider hiring a Geriatric Care Manager to coordinate the care for your parent to ease the burden on the family. This is especially helpful if there are no children living near the aging parents.

So what do you do if you have successfully saved for your retirement and then become a caregiver? You have envisioned your leisurely days traveling, visiting grandchildren, golfing, reading, doing whatever it is that makes you most happy. And then…boom! Your 85 year old mother is diagnosed with Alzheimer's disease and can no longer live alone. You are her Durable Power of Attorney and Successor Trustee on her Revocable Living Trust. You are her only child and will need to be the one to get involved immediately to help determine her new living situation, arrange care, handle ongoing medical treatment, handle financials…take over handling her whole life. YOU ARE OVERWHELMED. What yesterday was the bliss of YOUR retirement is now the nightmare of carrying the burden of your mother and her Alzheimer's diagnosis. And people with Alzheimer's can live with the disease for how long?

You are not alone. Many retired folks are finding themselves the primary caregivers for not one, but sometimes multiple sets of aging parents. Many are worried that their retirement, that they waited decades to reach, will be spent caring for aging parents. Or that by the time the caregiving is done, they will need a caregiving themselves!

One of the major risks to caregivers already in retirement is the risk of contributing their own funds to their aging parent's care costs. Particularly in the phase of life, the potential to go back and earn more/save more can be very limited (as opposed to those younger caregivers who may have the potential to re-enter the workforce more easily). At this point, it is much more important to manage the parent's resources to their best advantage first and foremost. Make sure you understand what they have, how it can be used, what benefits they might be eligible for, and what government and community resources can be used on their behalf. Working with professionals knowledgeable about aging (financial planners experienced with aging issues, elder law attorneys, geriatric care managers, state agencies on aging, etc.) you should be able to best use the resources your aging parents have to work to help them get the best care.

Another large risk to caregivers already in retirement is caregiver burnout. This means, similar to spouse caregivers, that the act of caregiving can take a significant and negative emotional, psychological, and sometimes physical toll on you that can impact your overall well-being. It is often reported that the act of caregiving can risk the overall health of the caregiver more significantly than that of the person being cared for, particularly for older caregivers. Because of this, it is suggested that you ask for help, if and when possible. Pay for professional caregivers, seek volunteers, ask for help from family, etc. Do not do it alone.

Suggested Actions for Retired Caregivers:

- Protect your own financial resources.
- Be resourceful; use the resources of professionals/experts who can help you plan.
- Don't try to do it alone.

I have heard this saying so many times, but it bears repeating: "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 caregiving." (former First Lady Rosalynn Carter, founder of the Rosalynn Carter Institute for Caregiving). Whether you fall on the side of providing care or needing care, it makes sense to plan ahead – work with someone to build out a plan for the contingencies that might lie ahead and communicate that plan to family member that might need to be involved so that everyone can plan and protect their own financial future.

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