Don’t let financial support for an adult child undermine your financial security

Any experienced parent will tell you that you’re never done “raising” your kids. The end goal is long-term financial security for both you and your adult child.

Whether or not you are able to provide monetary support, financial education is a valuable tool you can provide. By teaching your child to start planning for their own future, they may be less likely to need assistance down the road. Taking time to discuss topics, such as the importance of establishing a budget and living within one’s means, can be even more valuable than providing monetary support. This includes making sure that when your child lands their first job, they are contributing to an employee-sponsored plan or IRA and have an emergency fund.

The earlier you start talking with your child about financial independence, the better. These conversations can start early in life by teaching them to save a portion of their allowance or encouraging a high-schooler to save part of what they earn at a summer job. You might also set up an independence fund when they’re in college to set the expectation of financial independence upon graduation or shortly thereafter. But it’s never too late — those conversations can also start later in life through, for instance, the gift of a financial plan with your preferred financial advisor.

Some considerations if you are providing financial support to your adult child:

1. **Have a clear understanding of finances and retirement savings goals.** Before engaging in a conversation about what kind of support you’re able and willing to provide, you need a clear understanding of your retirement savings goals, income and assets, and whether you can meet those goals while also providing monetary support to your adult child.
2. **Be transparent and honest.** You must be direct about what you can do – and for how long. Clarity from the beginning can reduce the likelihood of overextending yourself and potential negative impacts on your retirement readiness.
3. **Bring a third party into the equation.** This provides objectivity. It also gives your adult child the opportunity to reflect on whether or not he or she wants to put you in a potentially uncomfortable financial position.
4. **Put it in writing.** This is essential. It will help both you and your adult child keep track of the agreed-upon timelines and provisions that should come with financial support.
5. **Check in.** Checking in regularly will enable you to reevaluate what level of financial support you can offer, for example, in the case of a medical emergency or in the event that, despite your adult child’s best efforts, he or she cannot fulfill their end of the bargain. If working with a financial advisor, make them aware of any potential changes to the plan to understand how those choices could impact your retirement goals.

Giving Back: Caring for Elderly Parents

It's hard to see your parents get older. This is especially true as they begin to decline physically and mentally. Their need for help can also create unexpected stresses and financial challenges for you and your family. Making sure your financial house is in order can help minimize the financial burden on you, so you can focus on giving them the love and care they need.

Make a plan
Creating a proactive plan that meets your parents' needs and your own can help you manage a difficult situation with minimal disruption. For your own future, it's important to keep focused on your retirement savings strategy and other savings goals you have.

Talk it over
Depending upon how openly your family discusses money, talking about finances with your parents may be uncomfortable. But understanding their financial situation is essential – even before they may require your help. One common entry point to discussing your parents' finances and long-term care needs is discuss your own retirement and ask for their advice. As they provide you with advice, you can start to discuss their future plans and their savings.

Some of the most common questions you can ask include:

- What is most important to you?
- Have you purchase long-term care insurance?
- Do you think you may want some help with housework?
- Have you considered about what you want to do if you need more help?

Once the topic is open, you can begin creating a profile of their finances. Find out what their benefits are and whether they're currently receiving all of these benefits. Ask them for insurance records, medical and financial documentation. Make sure you have contact information for their advisors, such as an attorney or an accountant. It's also important that your parents' estate is in order. This can reduce the burden on you when they can no longer take care of their finances and household matters. The more facts you have regarding your parents' finances, the better equipped you'll be when they can no longer care for themselves.

Long-term care
When your parents can no longer care for themselves, long-term care (LTC) may be something to consider. Costs for assisted living and skilled nursing homes vary widely depending on location, the facility, and the level of services and care required.

LTC insurance pays a fixed amount for assisted living, skilled care and in some cases in-home care. Depending on the policy purchased and the level of care needed, it may not pay the total cost incurred. Prices vary, so it's wise to shop around. Your premium will depend on a number of things, including your health and age — the longer you wait, the higher the premiums may be.

What's it cost?
Most senior care facilities charge on a month-by-month basis, but some require a longer-term lease. Assisted living is often more expensive than home health care, while skilled nursing homes are typically the most expensive. The majority of assisted living facilities use a tiered pricing model with bundled services - residents requiring the least amount of assistance pay the lowest rate.

While a growing number of Americans are buying LTC insurance, the majority rely on a combination of personal savings, Social Security, pensions and government benefits to cover costs. Some will liquidate significant assets, or sell or rent their homes to pay for assisted living or nursing homes. Another option is the reverse mortgage, which lets the homeowner convert a portion of their home equity into cash. This requires one spouse to remain in the home though, and there are many other factors to weigh carefully, including the fact that you are putting your home at risk. Another option is to borrow against cash value in a life insurance policy[1], though this will reduce the death benefit paid to survivors. Again, the benefits and disadvantages should be evaluated thoroughly.

Medicare and Medicaid
Medicare does not cover typical costs for assisted living or nursing homes. However, the medical expenses incurred at the time may be covered, just as they would if treatment occurred in a doctor's office or hospital. Medicaid coverage for long-term care is sometimes available to low-income seniors or seniors with very minimal assets. This varies by state.

Veteran's benefits
If you are a U.S. veteran, you may qualify to receive long-term care support through the VA.
Eligibility is based on need for ongoing treatment, personal care and assistance, and the availability of service in your location. Financial eligibility and other factors also apply. To learn more, visit the U.S. Department of Veterans Affairs website at http://www.va.gov.

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The tax information herein is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding tax penalties. Taxpayers should seek advice based on their own particular circumstances from an independent tax advisor. Please consult with your tax and legal advisors regarding your individual situation.

[1]*Policy loans and withdrawals may have tax implications and may cause the policy to lapse.*

Assisted Living Costs: Covering the Expenses of a Long, Full Life

Life is full of transitions, some easier than others: growing up, having kids, watching your kids move away, losing a parent. One of the more formidable transitions you may need to make is employing extra help in old age. While it can be difficult to give up some independence in this stage of life, you can ease this transition by preparing for the costs associated with assisted living sooner than later.

Care and cost go hand-in-hand
The more assistance you may require, the more it will generally cost. Keep this critical fact in mind as you plan for your eldercare needs. Assistance options may include:

- Home care – If you need a little help around the house with things like cooking or cleaning.
- Assisted living facilities – These are residential facilities that offer personal care services, such as meals, housekeeping and entertainment, along with varying levels of assistance with daily activities.
- Nursing homes – These facilities are for people who may need the kind of round-the-clock care and supervision not generally offered in assisted living facilities.

Where will the money come from?
While Medicare and supplemental health insurance may cover most of your medical services, assisted living and nursing homes are not covered. As you and your financial professional plan for these costs, you may want to consider these questions:

- Should you liquidate assets, such as selling your house?
- What are your income alternatives?
- Do you qualify for any government or veteran's benefits?
- Does your estate plan account for end-of-life expenses?
- Does your cash value life insurance policy have a critical illness rider?

Plan now, enjoy the benefits later
The sooner you prepare for the possibility of assisted living, the better. Discuss the issues now with your family and loved ones – it can help make the transition easier for everyone when the time comes. Throughout the planning process, you can work with your financial professional to get the assistance and guidance you need.