

via a riuscita

My parents have worked hard all their lives in their small business. I'm concerned that they may lose everything in retirement if one of them should require nursing home care. What can be done to prevent this?

*Brian Grilli
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Brian, people like your parents who have worked hard to accumulate assets, bear the greatest risk. Those without assets are covered by government assistance provided by your state's Department of Welfare called Medicaid. The wealthy can pay without depleting their children's inheritance and bankrupting themselves. But, your parents may be forced to spend down their savings because they are neither rich nor poor.

Nursing home and home health care expenditures fall into two categories. First is skilled nursing home care that may be needed for rehabilitation after a hospital stay. Medicare, which is the federal government's health insurance for retired people, pays for this.

The next level is long term care. This means the patient is cared for at home, and is called home health care or they receive care in a nursing home. Private and government health insurance does not cover long-term care expenses. The cost of this is about \$5000 per month, or \$60,000 per year. The average nursing home stay is three years, and with nursing home cost inflation of 5% that totals \$190,000 for a three-year stay. Personal assets must cover this. But if the patient and spouse are without assets, Medicaid (different from Medicare) will pay. Medicaid payments come from general taxes, so we all participate in paying those costs for folks who cannot pay. When people hide or give away their assets to family members prior to entering a nursing home, they are placing the burden for their support on everyone else. The federal and state governments have severe penalties for attempting this and for any advisors who counsel you to do so in contravention of the law. But Brian, there is a two-step solution that your parents should consider. First, have an analysis done to see if their assets will be sufficient to

cover one spouse in a nursing home and still support the other spouse at home. This kind of analysis is not burdensome or expensive and can be done for you by a competent financial planner or accountant.

If the assets prove insufficient, or if your parents do not want their life's savings going to a nursing home, they should purchase nursing home and home health care insurance. This can be bought at any age, but people should evaluate this by age 60. The chances of needing nursing or home health care double with each decade of life. The premiums usually stay level for life once you have a contract. Shop carefully as this is a major purchase that you will want to keep in force. Deal with only established insurance companies and knowledgeable agents.

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