United Policyholders
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Guest Experts: How To Support Your Aging Parents

Nerd Wallet

According to a MetLife study, a quarter of adult children, mainly baby boomers, provide care for their aging parents. Caring for aging parents can be rewarding, exhausting and frustrating all at once. It can also be expensive, and emotional draining, in more ways than people realize.

"With parents who have absolutely no safety net, should I hold off on building my own life to ensure I can take care of theirs? What I cannot foresee is the ability to also save enough for retirement, for children, and for my parents' care in their old age, which – as they have no savings and are in a massive amount of debt – will be an obligation that I know will fall to me."

Meet Jia, one of the contestants on NerdWallet's personal finance reality show. She worries how she'll be able to take care of her aging parents and herself as she plans to start a life of her own. With grad school, marriage and kids in her future, how will she be able to take care of her parents when they become unable to care for themselves?

NerdWallet Recommendation:

Jia and other young adults with similar worries as Jia should adequately plan for the costs associated with dependency – sooner rather than later. As part of the planning process, consider the different insurance options for your parents. Long-term care insurance is one option that can help ensure that financial resources and support are in place when your parents need them – so that you don't have to tap into your own savings.

Long-term care insurance, as the name suggest, offers long-term care for the covered person. Each long-term care policy is different, but it costs less to buy coverage when you are younger and have no health problems – so if you can afford it, you should look into long-term care insurance for your parents now.

When looking at the different insurance options, look for "comprehensive" policies as these policies typically include coverage of costs associated with hospice care, adult day service centers, nursing homes, Alzheimer's special care facilities, skilling nursing care and home care.

There is no one-size-fits all when it comes to long-term care so work with an insurance agent or company in determining which policy is right for your family. Here are some questions you should ask:

How long will the policy pay out once it's triggered? – Some policies only cover a specific period of time, such as three or four years. Some have unlimited payout.

How much will the policy pay out every day? – Policies vary in the amount of daily pay out to cover care costs. Realistically consider the nursing and other long-term care costs of where your parents reside and don't buy more insurance than you need. Costs in San Francisco are going to be greater than costs in Topeka, Kansas.

Does the policy have inflation protection? – Many policies include a clause that increases your benefit with inflation. Look for policies that have an inflation protection without raising your premiums.
Expert Recommendations:

Charles Lewandowski, founder of Planning Needs Financial Group, had this advice about long-term care insurance and the importance of planning early:

"Jia should consider Long Term Care insurance LTC) for her parents. Should their advanced age require personal care, LTC insurance would provide the funds to pay for this very expensive service rather than depleting her parents or Jia's assets to pay for it.

Finding a trusted insurance broker with a good reputation is the best way to go when looking for insurance. They will walk you through the process, do all the work for you and ensure you are making the right decision. It also doesn't hurt to do some of your own research online prior to meeting with a broker.

Young people should not postpone their financial goals because of their parents' finances. Save as much as possible for short term and long term needs, such as for emergencies and retirement. Buy insurance, such as life, health and disability, when you are young and healthy because that's when it will be the least costly."

Dave Krosky, co-founder of Envida.com, an online life insurance brokerage, had this advice about the different types of insurance:

“The first recommendation I would give you is long term care LTC) insurance. Basically, LTC insurance covers things like in-home care, assisted living, nursing homes, adult daycare, and hospice care. Medicaid provides some of the benefits of long-term care insurance, but you can also look at more comprehensive private policies as well.

The second thing you could look into would be life insurance for your parents. Sure, you don’t need to take out a huge policy on them that would make you a millionaire, but get a few quotes and see if it’s something that’s feasible. Since you’re positive that the responsibility of caring for your parents will fall on your shoulders, having a life insurance policy on your parents with you as the beneficiary allows you to go into debt for long term care costs and funeral expenses, knowing that you’ll receive a death benefit once they pass away. To some, that may sound pretty morbid – taking a life insurance policy out on their parents – but in your situation, it might make financial sense.”

Shane Parouse, Chartered Financial Consultant and Managing Director for the Center for Wealth Preservation, had this advice about life insurance:

“Especially since your parents are on rocky financial ground, I think you should consider getting life insurance now. You can get term insurance for pennies a day at your age. Later on, you could convert that policy to Whole Life, a much better long-term play. Eventually, you’d want your total coverage to be the equivalent of your income x the number of years you will earn it.

For example: If your income is $50,000 and you are 25 years old, your worth is equivalent to $50,000 x the number of years you’d expect to work, say 30. So, $50,000 x 30 = $1,500,000.

If you can afford Whole Life now, I’d recommend you get some. I bought my first Whole Life policy at age 23, with a $250/month premium. Now it’s got nearly $100,000 in cash in it, and it’s been a great resource when I needed money to start a business, pay the bills or buy my home. You’ll never be younger or healthier than you are now, so go for it. Name your parents as beneficiaries, God forbid something should happen to you.”

Tony Steuer, Director of Financial Literacy for United Policyholders and author of “Questions and Answers on Life Insurance” had this advice:

“Disability Insurance is something she should consider as the odds of a disability for someone in her age range is 1 in 3 prior to age 65 for a period of longer than 90 days the majority of disabilities are not permanent. However, they can last long enough to have a significant impact and she does not have significant cash reserves. Depending on her income stability, it may be a challenge for her to obtain. However, it’s something worth considering.

In general, purchase the appropriate type of life insurance to meet your needs. Most people only need life insurance for a certain period of time term life insurance) as there other assets will grow to eclipse their need for life insurance. For term insurance, review quotes from multiple companies to obtain the best rates, not all companies underwrite risks the same they can view health histories very differently). Also, review the financial strength rating for any insurance company.”