



www.greshamcompany.com

## Partners in Care

by Stephen D. Gresham and Glen E. Gresham

It had been a festive family reunion. Len and Gloria Benton reclined on the veranda of their upscale retirement community condominium and happily rehashed every detail.

“We're so lucky,” sighed Gloria. “Thanks to your good planning, we've been able to retire early, buy this great place and really enjoy getting the whole family together — our kids, grandchildren and our parents!”

Len grunted happily in agreement. Due to hard work and careful planning, he and Gloria had been able to retire in their mid-50s and could look forward to a comfortable and secure retirement. Or so they thought.

Fast-forward five years. The Benton's are now in their early 60s and their parents, all four, have survived into their 80s. Suddenly the Benton's hard-won comfort and peace of mind are collapsing under the weight of a series of unplanned, but hardly unusual, disasters. Len's mother had a stroke, which resulted in her needing at-home nursing care; Len's father was mentally fuzzy and suddenly needed full-time care himself. Len's siblings didn't want to help, so Len suddenly found himself spending enormous amounts of time dealing with medical and home-care personnel, attorneys and realtors. Finally, he was able to sell their house, consolidate their assets and get his parents settled in a decent assisted-living facility. With luck, he figured, there was enough to pay for their expensive care for at least two years.

And then the other shoe dropped. As soon as he had gotten his own parents settled, Gloria's mother called in hysterics. Gloria's parents couldn't make payments on their second mortgage because of huge credit-card bills, and the bank was threatening to take possession of their house. Gloria's mother and father had really been living it up and were facing bankruptcy and dependence on government entitlements unless Len and Gloria agreed to support them.

### Plan Ahead

Here's how to help your clients avoid Len and Gloria's fate:

#### Push Them to Have that Conversation with Aging Parents

Most baby boomers wouldn't think twice about plopping their platinum credit card number on Amazon, but our parents' generation is more secretive about its financial affairs. One of my grandfathers went bust in retirement, but no one knew anything about it until he was forced to sell his retirement dream home and move to a cheaper state. Don't assume your clients have spoken to their parents about specific money issues. Have you?

#### Prepare for the Inevitable: Investigate Care Options in Advance

Start with the basics. What kinds of medical risks do the parents face? What are the home health care options? Are their continuous-care retirement facilities (CCRF) nearby? Can they qualify? What are the costs? Are there other family members who will help with care, or will your clients have to carry the ball alone?

#### Prefund Expenses

Is there a fund for unexpected health care and living needs? Can liquidity sources be tapped by establishing lines of credit today, such as reverse mortgages? Should a share be purchased now in a CCRF? What about longevity risk? Are there annuities in place? Is it too late for long-term care? A note of caution: Credit-card debt is rising fast among the elderly — watch out.

### **Establish a Retirement Budget, Well in Advance**

This is tricky stuff. Start with the simplest significant expense to help your clients make the point with their folks. Calculate a budget for a retirement home with all maintenance, taxes, utilities — and then add an inflation assumption. You don't need to go much further than the Rule of 72 to realize that inflation can make a modest retirement home seem like a McMansion when it comes to payments.

### **Don't Go it Alone: Build a Team**

Get help now. Build an Eldercare SWAT Team. You'll need a flexible estate attorney with knowledge of advance directives and eldercare issues. Make sure you know an accountant who has worked with older clients, as well as a life insurance professional who can not only sell, but also liquidate policies efficiently. Get specialists in your orbit for reverse mortgages, disability insurance and long-term care. Check out local retirement-living facilities, and make contact with each facility that has a relationship with one of your client households.

Having parents who are ill prepared for retirement can easily derail even the most bulletproof retirement plan. Make sure your clients don't delay planning for parental emergencies until it's too late.

-----

Originally published in Registered Rep Magazine – November 2006 ([www.registeredrep.com](http://www.registeredrep.com))

**Stephen D. Gresham** is executive vice president of Phoenix Investment Partners. His new book, *Advisor for Life*, will be released in Spring 2007 by John Wiley & Sons.

**Glen E. Gresham, M.D.**, is professor emeritus of rehabilitation medicine at the University at Buffalo, The State University of New York.