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How COVID-19 Has Changed Consumer Behavior and the Future of Retail

U.S. retail sales suffered in the spring of 2020 due to safety concerns, government-mandated lockdowns, and economic uncertainty wrought by the coronavirus pandemic. Sales — including purchases at stores, restaurants, and online — plunged from \$483.95 billion in March to \$412.77 billion in April, a record 16.4% drop.¹

Fortunately, retail sales rebounded sharply after the economy began to reopen in May, matched pre-pandemic levels in June (\$529.96 billion), and continued to rise steadily from July through September. But sales softened in October, ticking up just 0.3% to \$553.33 billion.²

The arrival of an effective vaccine could inspire some holiday cheer, though it probably won't be widely available until next spring.³ Until then, consumers will likely spend more time at home.

U.S. consumer spending accounts for about two-thirds of all economic activity, so it's good news that many businesses and consumers have adapted quickly to the new normal created by the pandemic.⁴ Here's a look at recent changes in consumer behavior, the state of the retail industry, and what these trends could mean for the broader U.S. economy.

Stay-at-home spending shifts

Some workers with stable incomes have been able to save money they would normally spend on transportation, gym memberships, restaurant meals, and expensive "experiences" such as vacations, concerts, sporting events, and other live shows. On the other hand, many households are spending more on home improvements, household goods, fitness equipment, and other lifestyle purchases that make sheltering in place more tolerable.⁵

For example, huge demand for bicycles resulted in surprising shortages.⁶ And with offices closed and most special events cancelled or postponed, a preference for casual and comfortable clothing has decimated consumer demand for more formal attire like business suits and dresses.⁷

A swift expansion of e-commerce was also unleashed. New online habits were created in the first three months of the pandemic, accelerating the adoption of digital technologies that might have taken 10 years to achieve otherwise.⁸

When lockdowns and social distancing measures were put in place, many consumers were compelled to shop online and use other digital services (e.g., video chat, virtual doctor visits, and online classes) for the first time. Surveys suggest that a vast majority of new users found online services to be useful and convenient; many said they will continue to use them permanently.⁹

But anxious consumers have also been boosting their savings. The personal saving rate — the percentage of disposable income that people don't spend — hit a record 33.6% in April before falling to 14.1% in August, far above February's 8.3% rate.¹⁰ When consumers prioritize saving, it may help individual households build financial stability and prepare for retirement, but it can also hold back the nation's economic growth.

Traditional retailers on the ropes

Big-box retailers that sell groceries and other goods in one place and home-improvement stores were deemed "essential" in the spring. Regardless of local virus conditions, these businesses have remained open for a steady flow of customers eager to stock up on food and other necessities. As a result, they have generally been able to book healthy profits.¹¹

Meanwhile, temporary closures, capacity limits, and a drop-off in overall customer traffic have taken a toll on nonessential retailers that couldn't offer a convenient online shopping experience with home or curbside delivery. The pandemic may land the blow that knocks out some familiar brick-and-mortar retailers, many of which were already buckling under excessive debt and fierce competition from e-commerce giants.

Retail bankruptcies and store closings are on track for a record year in 2020. By mid-August, 29 U.S. retailers had filed for Chapter 11 protection, including several long-standing department-store chains. More than 10,000 permanent store closings have already been announced in 2020, vacating roughly 130 million square feet of physical retail space.¹²

A holiday season like no other

Higher unemployment and wage cuts might have had a more severe impact on consumer spending from March to October were it not for the expanded unemployment benefits and stimulus checks delivered to

When lockdowns and social distancing measures were put in place, many consumers were compelled to try online shopping and other digital services for the first time.



consumers by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. At the time of this writing, Congress had not passed a follow-up stimulus package, and consumers were facing new challenges going into the holiday season.

More than 11 million U.S. workers were still unemployed in October, before a nationwide surge in virus cases and hospitalizations sparked a new round of business restrictions and closures in mid-November.¹³⁻¹⁴ CARES Act provisions that offer financial support for affected consumers and small businesses expire by the end of December.

Holiday sales figures are often considered an economic barometer, reflecting consumer confidence and funds for discretionary spending. In 2019, holiday spending in November and December rose 4.1% over 2018, suggesting that economic growth was picking up steam.¹⁵ But holiday shoppers were blissfully unaware that a pandemic was on its way.

Black Friday holiday deals are designed to create a frenzy and lure throngs of shoppers into stores. But retailers seemed to agree that a different approach was needed in 2020: Promotions were offered online and earlier; store hours were shortened and capacity was limited; and unlike in past years, most stores stayed closed on Thanksgiving.

The prospects for holiday retail sales in 2020 are murky, but consumers are expected to purchase more gifts online than ever before — and possibly too many for shipments to be delivered on time. To be on the safe side, the National Retail Federation is recommending that consumers get their shopping done early and take advantage of curbside pickup.¹⁶

- 1) *The Wall Street Journal*, May 15, 2020
- 2) U.S. Census Bureau, 2020
- 3) *The New York Times*, November 17, 2020
- 4) U.S. Bureau of Economic Analysis, 2020
- 5) *The Wall Street Journal*, November 17, 2020
- 6) *The New York Times*, June 18, 2020
- 7) *The Wall Street Journal*, August 27, 2020
- 8-9) *The Wall Street Journal*, November 15, 2020
- 10) *The Wall Street Journal*, October 25, 2020
- 11) *The Wall Street Journal*, November 18, 2020
- 12) *The Wall Street Journal*, September 29, 2020
- 13) U.S. Bureau of Labor Statistics, 2020
- 14, 16) Associated Press, November 11 and 17, 2020
- 15) National Retail Federation, 2020



Caring for Your Aging Parents

What is it?

Caring for your aging parents is something you hope you can handle when the time comes, but something you probably hope you never have to do. Caring for your aging parents means helping them plan for the future, and this can be overwhelming, both physically and emotionally. When the time comes for you to take care of your parents, you may be certain of only two things: Your parents need you, and you need help.

Start planning

Talk to your parents about the future

Start caring for your aging parents by talking with them about their needs and wishes if they are able. In some cases, however, they may not be willing to talk to you about their future, either because they are afraid to face it or because they resent your interference. If this is the case, you may need to do as much planning as you can without them, or, if their safety or health is in danger, step in as caregiver anyway.

Prepare a personal data record

The first step you should take is to ask your parents to help you prepare a personal data record (if they are unable to help you, you'll have to search for the information yourself). A personal data record is a document that lists information that you might need in case your parents become incapacitated or die. Information that should be included is financial information, legal information, medical information, insurance information, and information regarding professional advisors and the location of important records.

Example(s): When Marcia and her mother prepared a personal data record, Marcia realized that her mother did not have a durable power of attorney or health care proxy in case she became incapacitated and could not make decisions about her medical care. The next day, Marcia made an appointment with her mother's lawyer to discuss this issue.

Get advice

You can't know everything, and you probably don't have enough time to learn everything you need to know to care for your parents. That's why you should seek advice from professionals. Some advice will be free, and some you will have to pay for. If you live far from your parents or are too overwhelmed to handle all your parents' affairs, you can hire a geriatric care manager who will evaluate your parents' situation, suggest options, and coordinate professionals who can help. In addition, talk to your employer. Some employers have set up employee assistance programs that offer advice and assistance to people who are dealing with personal challenges, including caring for aging parents.

Get support

Don't try to care for your parents alone. Many local and national caregiver support groups and community services are available to help you cope with caring for your aging parents. If you don't know where to start finding help, call the Eldercare Locator, an information and referral service sponsored by the federal government that can direct you to resources available nationally or in your area. Call the Eldercare Locator at (800) 677-1116.

What kind of advice will you need?

Housing and health care advice

If your parents are like many older individuals, where they live will depend upon how healthy they are. As your parents grow older, their health may deteriorate so much that they can no longer live on their own. At this point, you may need to find them in-home health care or health care within a retirement community or nursing home. On the other hand, you may want them to move in with you. In addition, you will need information on managing the cost of health care, long-term care insurance, major medical insurance, Medicare, and Medicaid.



Contact:

- National Association for Home Care
- Visiting Nurse Associations of America
- Centers for Medicare & Medicaid Services (formerly known as the Health Care Financing Administration)
- American Association of Homes and Services for the Aging
- American Association of Retired Persons (AARP)
- Health Insurance Association of America

Financial advice

If your parents need help managing their finances, you may need to contact professionals whose advice both you and your parents can trust, including one or more of the following individuals or organizations.

Contact:

- Your financial planner
- Your banker
- Your investment counselor
- Your tax attorney
- The Social Security Administration

Legal advice

Legal advisors can help you plan for your parents' incapacity (including preparing documents such as power of attorneys, medical directives, and living wills), contact nursing home ombudsmen, set up and monitor guardianship, prepare wills, give tax advice, and provide bill payment and representative payee assistance. Many states provide funds for the delivery of free legal services to the elderly and many attorneys specialize in elder law, so finding legal advice shouldn't be difficult.

Contact:

- Your attorney
- National Association of State Units on Aging
- American Bar Commission on the Legal Problems of the Elderly
- Legal Counsel for the Elderly

What kinds of support and community services will you need?

Caring for your aging parents will be easier if you know what kinds of support and community services are available and where to locate them. The following is a list of the kinds of support and community services you can find locally and nationally, along with specific suggestions of who to contact for information.

Adult day care

If you need to work or run errands and you can't leave your parents alone, consider using adult day care. These programs are located in hospitals, churches, temples, nursing homes, or community centers. Many are private nonprofit organizations. Adult day care can be expensive but is sometimes subsidized by the government, and fees may be based on a sliding scale. In addition, Medicare, Medicaid, long-term care insurance, or your health insurance may pay part of the cost.

Contact:

- Your local senior center or community center
- National Institute on Adult Day Care
- The Alzheimer's Association

Caregiver support groups (self-help)



Many self-help groups are available to provide information and emotional support on broad topics (such as aging) or specific topics (such as heart disease). You may find these support groups helpful if you know little about caring for your aging parents. Such groups might also provide an opportunity to help others by sharing your experiences.

Contact:

- The Alzheimer's Association
- Children of Aging Parents
- National Self-Help Clearinghouse

Caregiver training/health education

You may feel better about taking care of your parents if you are armed with knowledge. You may want to complete first-aid courses or take classes in gerontology.

Contact:

- Your local college or university
- Your local hospital
- The American Red Cross

Geriatric assessment

If you are uncertain of your parent's mental or physical capabilities, ask his or her doctor to recommend somewhere you can take your parent to undergo an assessment. These assessments can be done at hospitals or clinics. Your parent will be evaluated to determine his or her capabilities. The evaluation determines whether the individual can take care of himself or herself on a day-to-day basis, including such things as bathing, dressing, eating, using the telephone, doing housework, and managing money. Based on this evaluation, you and your parent will receive advice regarding care options.

Contact:

- Your doctor
- Your lawyer
- The National Association of Professional Geriatric Care Managers
- Aging Network Services

Respite care

When you are caring for your aging parents, you may feel guilty or even resentful because you don't have limitless energy. Taking care of your parents is hard work, however, and everyone needs a break once in a while. If you are caring for your aging parents, look into respite care. Medicaid may pay for some respite-care services.

Contact:

- Your doctor
- Your local hospital
- The Alzheimer's Association
- National Association for Home Care

Financial and tax considerations for you

Caring for your aging parents is not only an emotional burden for you but may be a financial one as well, depending upon how well off your parents are and how much caring for them costs. Because many adults today are becoming first-time parents in their thirties, and others are remarrying and rearing second families, increasing numbers of adults are finding themselves in the "sandwich generation." They face having to pay expenses of growing children (including college expenses), plan for their own retirement, and support their aging parents financially. Thus, it's important to plan not only your parents finances, but your own as well.



Financial planning for your parents

Making sure that your parents won't outlive their money is a critical step in ensuring that your own finances will remain sound. In particular, you'll need to make sure that your parent is receiving all the benefits to which he or she is entitled and that his or her money is invested wisely. You'll also need to create a financial profile for your parents, a statement that includes income, expenses, and net worth. If, after considering your parent's financial condition, it's clear that they won't have enough resources to pay for their own care, you'll need to find ways to supplement their income. You may need to look at Supplemental Security Income (SSI), for instance, or ask other relatives for help. You'll also have to determine how much financial support you can give your parents (see below).

Financial planning for you

Besides caring for your parents, you have a lot of other financial obligations. Before you can determine the best way to help your parents financially, you'll have to look at your own financial picture. Not only will you need to consider your current expenses, but you'll have to look down the road a few years, considering how much you'll need to save for your own retirement and, perhaps, for your child's education.

Tip: *Due to the complexities inherent in providing adequately for several generations in the same family, consider seeking the advice of a financial professional.*

Tax benefits for children supporting aging parents

Federal income tax law provides several tax benefits to you if you are supporting your parents financially. If you have a dependent care account at work, you can put pretax dollars into the account that you can use to pay for some costs associated with caring for your dependent parents. You may be able to claim an exemption for your parents as dependents, and you may be entitled to claim a dependent care credit. In addition, you may be able to file your taxes as head of household and deduct medical expenses you paid for your parents. For more information consult your tax advisor.

Questions & Answers

If you are financially supporting your parent, is he or she entitled to receive Social Security benefits based on your earnings?

If you are providing at least one-half of your parent's support at the time of your death, and he or she is age 62 or over and is not entitled to a retirement benefit that is equal to or larger than the amount he or she would receive based on your earnings record, then he or she may be entitled to receive a parent's Social Security benefit equal to 82.5 percent of your primary insurance amount (PIA).



Housing Options for Older Individuals

What is it?

As you grow older, your housing needs may change. Maybe you'll get tired of raking leaves from the lawn of the house you bought 30 years ago because you liked its huge, shady backyard. You might want to retire in sunny Florida or live close to your grandchildren in Illinois. Perhaps you will need to live in a nursing home or an assisted-living facility. Sometimes, after considering your options, you may even decide to stay where you are. Deciding where to live is never easy, but if you evaluate your options carefully, you'll find it easier to live with your decision.

Staying where you are: when there's no place like home

Physical considerations

Are you able to take care of your home by yourself? If your answer is no, that doesn't necessarily mean it's time to move. Maybe a family member can help you, or maybe you can hire someone to clean your house, mow your lawn, or help you with personal care. Perhaps staying in your home is simply a matter of making it more accessible by installing wheelchair ramps, safety lighting, or new bathroom fixtures. To evaluate whether you can stay in your home or if it's time to move, consider the following questions:

- If you need help (or might need it in the future), how willing are you to let someone else help you?
- Can you afford to hire help, or will you need to rely on friends, relatives, or volunteers?
- How far do you live from family and/or friends?
- How close do you live to public transportation?
- How easily can you renovate your home to address your physical needs?

Emotional considerations

You may want to stay in your home because you have memories of raising your family there. However, if you are widowed or lonely, those memories may be the very reason you want to leave. Moving from a cherished house is never easy, and it might be even harder when you're moving to a new town or a smaller place. Conversely, you might find that change is just what you need to get a new perspective on life, or to be able to relax and enjoy retirement. To evaluate the emotional impact of moving, consider the following questions:

- How easily do you adjust to change?
- How easily do you make new friends?
- How does your family feel about your move? (This is important if you're moving closer to them or further away from them.)
- How does your spouse feel about moving?

Financial considerations

You might think you can't afford to live in the same home after retirement and want to generate retirement income by selling it. However, selling your home is not the only way you can get income from it. Two other options you might consider if you own your own home and need more income are home equity loans and reverse mortgages.

- **Home Equity Loans or Lines of Credit**--If you're thinking about selling your house because you need more retirement income but you don't really want to move, consider applying for a home equity loan or line of credit. You put your home up as collateral, and your bank (or other lender) provides you with a term installment loan that will give you a certain sum of money you need up front or a revolving line of credit that you can access when you need cash. When you apply for the loan you'll probably be asked how you intend to use the money. One way to use it is to finance home improvements that will make your home safer and more accessible, so that you can stay in it instead of moving to an assisted-living facility or nursing home.
- **Reverse Mortgages**--A reverse mortgage might enable you to obtain needed retirement income and remain in your home. There are many types of reverse mortgages, but here's how one usually works. You take out a mortgage on your home, and in return the bank or person who holds the mortgage gives you a lump sum of cash or pays you a predetermined monthly amount for a set number of years (sometimes tied to your life expectancy). At the end of that period, you will owe the bank or



mortgage holder the principal and interest due on the house. In order to repay the loan at that time, you (or your estate) may have to sell the house or turn it over to the mortgage holder. For more information on what to consider when choosing a reverse mortgage, visit the Federal Trade Commission website at www.ftc.gov.

Example(s): After Hal retired, he found that he couldn't live off his Social Security benefit and pension income, so he considered selling his house to raise cash. However, he didn't really want to move, so he decided instead to take out a reverse mortgage. He found a bank that was willing to pay him \$650 a month, more than enough to supplement his retirement income. In addition, Hal was allowed to live in the house for the rest of his life. After he died, the bank sold the house to pay off the mortgage.

Pulling up stakes: moving in with (or near) your child

Living arrangements

Moving in with (or near) your child may mean living in your own nearby apartment, living in a room in your child's house, or living in an accessory apartment. Accessory apartments are either apartments within your child's house (also known as in-law suites) or cottages that are set up on the premises of your child's home (also known as Granny flats or Elderly Cottage Housing Opportunity).

Tip: Granny flats have become increasingly popular and can be purchased as prefabricated housing. However, since Granny flats are subject to zoning restrictions, check the local zoning laws before you decide to move into your child's backyard.

Staying independent

You may worry that if you move in with (or near) your child, you'll lose your much-valued independence. That's a valid concern, but not necessarily an inevitable one. There are many ways you can move closer to your child without sacrificing your independence. For example, if you move in with (or near) your child, you can maintain your independence if your living area is accessible to public transportation or other facilities such as grocery stores and shopping centers. If you need it, look into hiring part-time help so that you don't feel that you're overburdening your son or daughter, or join a senior center or church group that provides activities and transportation for its members.

Physical considerations

If you are moving in with your child, will you have adequate privacy? Will you be able to move around your child's home easily? If not, you might ask him or her to install devices that will make your life easier (such as tub or shower grab bars and easy-to-open handles on doors).

Example(s): Sue wanted to live with her son John, but after only a few days at his house, Sue was ready to move out. She just couldn't get up the stairs by herself, and she didn't like asking John for help all the time. Fortunately, she saw an advertisement on television for a motorized chair that could be attached to John's staircase and could easily move her up and down. She bought the chair, John installed it, and Sue was able to live with John after all.

Emotional considerations

When deciding whether or not to move closer to your child, ask yourself how you expect to benefit from the move, and how your son or daughter will likely respond. If you move closer to your child, will you expect him or her to take you shopping? Will you expect to be included in any party your son throws or in every dinner he eats at a restaurant? Even if you make your own friends, will you still want to be best friends with your daughter? Will you feel in the way? Will he or she expect you to help with cooking, cleaning, and baby-sitting, or, on the other hand, expect you to do little or nothing? Discussing your concerns before you move will help you avoid conflicts later.

Financial considerations

Money is an uncomfortable issue for many people, but one that needs to be discussed rationally. Before you move in with your child, consider the following questions: Will he or she expect you to contribute money towards household expenses? If you don't, will you feel guilty? Will you feel the need to critique his or her spending habits, or are you afraid that he or she will critique yours? Can he or she afford to remodel his or her home to fit your needs? Do you have enough money to support yourself during retirement, and if you don't, how do you feel about your child supporting you financially? Talking about money with your child before you move in will help avoid any conflicts or hurt feelings later.

Example(s): When Jane moved in with her daughter Liz, she expected to pay for her part of the grocery bill but Liz wouldn't hear



of it. Consequently, Jane felt guilty about asking Liz to buy her favorite items at the store since she wasn't paying for them. She grew more and more resentful toward Liz, even though Liz had no idea what was going on. When they finally had an argument one day, Liz realized how important it was for her mother to help pay her own way, and she gladly let her mother pay part of the grocery bill.

Setting out for greener pastures: independent living options

What is independent living?

Independent living communities are often apartments or townhouses that can be rented or owned as condominiums. The common areas are maintained for a fee, and the complex provides security, transportation, activities, and dining facilities.

Physical considerations

Not all independent living communities are alike, and each is governed by different rules. For example, some communities allow your guests to use the facilities, while others do not. Some may allow your grandchildren to spend a week with you, but some may not. Read the rental or sales contract carefully, and find out whether you object to the community's rules before you decide to lease or purchase a unit in an independent living community complex.

When you need a little more help: assisted living options

What is assisted living?

The wide number of assisted-living options available makes defining the term difficult. Generally, however, assisted-living facilities offer rental rooms or apartments, housekeeping services, meals, social activities, and transportation. Their primary focus is social, not medical, but some do provide limited medical care. Assisted-living facilities can be state-licensed or unlicensed and primarily serve senior citizens who need more help than those who live in independent living communities. Other terms used to describe assisted-living arrangements are board and care homes, rest homes, and community residences. Continuing care retirement communities (CCRCs), also called life care communities, also fit loosely into this category, although they provide what other assisted-living facilities do not: long-term nursing care and guaranteed lifetime services.

How to choose an assisted-living facility

Choosing an assisted-living facility can be difficult because you may not know what kind of help you will need in the future. However, there are certain things you can consider in order to narrow down your choices. Some of the factors you should evaluate when choosing a facility are described in the following sections.

Physical considerations

Before entering an assisted-living facility, you should carefully read the contract and tour the facility. Some facilities are big, caring for over 1,000 people. Others are small, caring for fewer than 5 people. Consider whether the facility meets your needs. Do you have enough privacy? How much personal care is provided? What happens if you get sick? Can you be asked to leave the facility if your physical or mental health deteriorates? Is the facility licensed or unlicensed? Who is in charge of health and safety? Reading the fine print on the contract may save you a lot of time and money later if any conflict over services or care arises.

Example(s): *Before she entered Mayfield Community Retirement Village, Helen researched the facility. She was pleased with the grounds and the decor, and the staff seemed friendly. However, when she read the contract she was required to sign, she was uncomfortable. She saw that if her mental health deteriorated, she would be asked to leave, but the terms were vague, so Helen decided to go over the contract with her lawyer before she signed it.*

Emotional considerations

When you move into an assisted-care facility, you may feel that you have given up a measure of independence. You may think that the staff is intrusive, or that you have less choice when it comes to what you eat and who you see every day. In addition, the facility you choose may have rules that you do not like. For example, you may not be allowed to have house guests (especially children) stay overnight, or your guests may not be allowed to use facilities such as the dining rooms and the swimming pools. Because assisted-care facilities vary widely, it's very important to make sure you can live with the emotional implications before you sign a contract.



Financial considerations

Some housing units at assisted-living facilities are more expensive than regular residential apartments, but not all are. There is a wide range of care available at a wide range of prices. CCRCs are significantly more expensive than other assisted-living options, for example, and usually require an entrance fee above \$50,000, in addition to a monthly rental fee. In addition, don't expect Medicare to cover your expenses at these facilities, unless those expenses are health care related and the facility is licensed to provide medical care.

When you need a lot more help: nursing homes

What are nursing homes?

Nursing homes are licensed facilities offering 24-hour access to medical care. They provide care at three levels: skilled nursing care, intermediate care, and custodial care. Skilled nursing care may be provided to individuals who need intensive medical care but not hospitalization. Intermediate care may be provided to individuals who need some medical care in addition to custodial care. Custodial care is provided to individuals who need some help eating, bathing, dressing, or taking medications due to physical or mental deterioration. Individuals in nursing homes generally cannot live by themselves or without a great deal of assistance.

Physical considerations

Privacy in a nursing home may be very limited. Private rooms may be available, but rooms more commonly are shared. There is a great deal of variation in quality and atmosphere, depending upon the facility selected. A nursing home may be hospital-like or home-like. When you choose a nursing home, pay close attention to the quality of the facility.

Emotional considerations

Due to the high cost of nursing home care and media reports of mistreated nursing home residents, you might fear entering a nursing home. However, the quality of life in nursing homes varies widely. To allay your fears about nursing homes, select one before you need care. Visit several facilities in your area, and talk to your family about your needs and wishes regarding nursing home care. In addition, remember that most people don't live their lives in a nursing home. If your physical or mental condition improves, you may be able to return home or move to a different type of facility.

Financial considerations

Nursing homes are expensive. If you need nursing home care in the future, do you know how you will pay for it? Will you use private savings, or will you rely on Medicaid to pay for your care? If you have time to plan, consider purchasing long-term care (LTC) insurance to pay for your nursing home care.

Will care be there when you need it?

Nursing homes and assisted-living facilities often have long waiting lists. In addition, many nursing homes do not accept Medicaid right away from a resident; using private funds or LTC insurance may help you get into a nursing home. Many people don't plan for long-term care because they don't think they will ever need it. However, you will grow old, and as you do, your health challenges will increase. You may never need long-term care, but if you plan ahead for it, you'll be much better off physically, emotionally, and financially.

Questions & Answers

Will Medicare pay for nursing home care?

Medicare will pay, in part, for the medical care you need, but not for custodial care. If you need skilled nursing care, Medicare will pay for it (with certain limits) up to 100 days. Before you rely on Medicare coverage to pay your nursing home bills, however, research your coverage.

What if you move into a retirement community and don't like it?

The first move you make after you retire probably won't be your last. If you live 20 years past retirement, you may even make



several moves. Despite the fear some people have that once they move into a retirement facility they will be lost and forgotten, this is usually not the case. Decisions to move are not permanent. However, because of waiting lists, you may, for example, find it difficult to move from one nursing home to another, or you may have difficulty getting out of a CCRC once you enter it, due to the large sum of money you paid up front. Before you move into any retirement facility, research the facility thoroughly and go over the contract with an attorney.



When You Need Help: In-Home Care Programs for Older Individuals

What is in-home care?

Not every older American ends up in a nursing home or a retirement community. In fact, most older individuals continue to live at home, many with the assistance of some type of in-home care. In-home care can help you remain independent, and delay the need to enter a nursing home or an assisted-living facility.

What types of in-home care are available?

In-home care is a broad term that covers in-home health care (nursing or health aide services), household help (homemaker services) and personal care (companion or caretaker services).

Health-care services

If you have a medical condition that requires nursing care, daily monitoring, or therapy, you may need to hire a nurse or an aide to help take care of you at home. You can hire health care personnel through nursing registries or home health agencies (HHAs). Nursing registries match you with a suitable nurse for your condition, but they don't necessarily supervise or train nurses. HHAs, on the other hand, match you with a nurse or nurse's aide who is supervised and trained by the agency. HHAs are usually licensed by the state and may be accredited by a national association such as the National Association for Home Care. Most have Medicare certification as well, meaning that they have met minimum federal standards and accept Medicare.

Household help

You may need to hire household help if you can live somewhat independently, but you need someone to help you with cooking, laundry, cleaning, or shopping. You can find household help through some home care organizations or through the help wanted section of your newspaper. Some state and local governments also have programs set up to assist the elderly. These programs are either free or low-cost. They may include providing personal assistance services (such as bill paying, house cleaning, repairs, and shopping), as well as companionship services (such as telephone reassurance or visits). To find out what programs are available in your area, search the Internet or check phone listings under the following titles: Department of Social Services, Department of Human Services, Health Department, or the Council (or Office) on Aging.

Personal care

You may need personal care if you have trouble bathing, dressing, walking, or feeding yourself. People that provide personal care services sometimes perform household tasks as well. Some home care agencies or HHAs can find you a suitable aide, or you can find one through the newspaper. Remember, though, that if you hire your own aide, you may have to pay Social Security taxes and withhold income tax from his or her salary.

How to pay for in-home care

Personal savings

Although in-home care usually doesn't cost as much as nursing home care, it can still be quite expensive. The cost depends primarily upon the type of services you need, and how frequently you need them. You may pay \$50 a week for housecleaning, or \$300 a week or more for personal or part-time nursing care. You may be able to pay for in-home care from your savings or income (many people do), but before you decide to do this, check into care programs offered by your community. You should also determine if you are entitled to any Medicare or Medicaid benefits.

Medicare and Medicaid

In-home health care is covered under Medicare Part A if the care you need is medically necessary skilled care. The care you need must be intermittent or part-time, supervised by a physician, and provided by a skilled nurse who works for a Medicare-certified HHA. If you don't have Medicare Part A insurance, Medicare Part B covers in-home health care. Medicaid may cover in-home health care if you live in certain states. Unlike Medicare, Medicaid may allow you to hire a family member to provide care (with



certain restrictions).

Long-term care insurance

In the past, LTC insurance policies only covered nursing-home care, but now most of these policies cover in-home care as well. However, you may pay more for a policy that covers both types of care. When you consider buying a LTC policy, you have to decide if the extra premium you will pay for in-home care will warrant its cost, and you have to check on what conditions may not be covered at all or covered only after a waiting period.

Ensuring the quality of in-home care

You may be concerned about letting a stranger come into your home, or you might be afraid that the quality of in-home care you receive will be substandard. Because of the variety of care options, the home health industry is not tightly regulated. However, you can protect yourself by thoroughly checking the credentials of whomever you hire.

Checking the credentials of a home health agency

If a home health agency is certified for Medicare, it is supposed to comply with Medicare standards, and undergo state examinations each year. To check an agency's Medicare status, call the Medicare Hotline at (800) 633-4227. In addition, HHAs should be licensed by the state, and some may be members of the Better Business Bureau.

Checking the credentials of an individual

Checking the credentials of an individual is very important. Start by asking for several references, including more than one professional reference. Find out if the individual has insurance or is bonded (some individuals who run their own cleaning business, for example, may be) and consider purchasing extra insurance to protect yourself against liability claims or employee theft.

Tax considerations

In-home care may be tax deductible

You can deduct medical expenses that exceed 7.5 percent of your adjusted gross income (10 percent if you're younger than age 65) if you itemize your deductions. For example, you may be able to deduct wages you pay for in-home nursing services, including any services connected with caring for your medical condition, such as changing dressings and bathing. The person you employ does not necessarily have to be a nurse, but the services he or she provides must be medically necessary services. You cannot deduct general household help such as shopping, cooking, and housecleaning. In addition, if you pay medical insurance premiums or need to modify your home to accommodate your medical condition, you may be able to deduct these expenses as well.

Caution: *Although the threshold to deduct medical expenses has been raised from 7.5 percent of adjusted gross income to 10 percent (beginning in 2013), this threshold increase will be delayed until 2017 for those age 65 or older.*



When You Need Help: Community Resources and Programs for Older Individuals

What is it?

Many programs and resources are available from your community to help you live independently at home. Some of these programs are funded either by your state government or by the federal government. Others are privately funded or are provided by charitable organizations. Since many programs and resources are available, you may need to spend a lot of time sorting through the various programs that are out there in order to find one suitable for you.

What types of community programs and resources are available?

The following is a list of some of the programs and resources that are available either in your community or at the state or national level.

Associations and referral organizations

Numerous associations and referral organizations exist to help you find the services or advice you need. You can call your local area agency on aging to find an information and referral service. Many national organizations such as the American Association of Retired Persons (AARP), the American Red Cross, or the Eldercare Locator can also provide good referral information. Contact the Eldercare Locator, a public service of the U.S. Administration on Aging, at (800) 677-1116 or by visiting www.eldercare.gov.

Care management

Some agencies specialize in coordinating help for senior citizens. Instead of trying to figure out the services you need and then finding them, you can use a case manager or a geriatric care manager to do this for you. Geriatric care managers are often found through private companies and licensed agencies. Case managers can also be found through licensed agencies, as well as through government and nonprofit agencies. You will find a case manager or a geriatric care manager helpful if you need a lot of services, or if your needs are complicated.

Companionship programs and support groups

From time to time, you may appreciate a visit from a friendly volunteer to help you with certain tasks (such as letter writing) or just to chat. You may also find getting involved with a support group helpful if you are a widow, a spouse, or a child of someone who has a chronic disease or mental impairment. Certain organizations provide telephone support or reassurance. Some government agencies such as the postal service or your local police station may have a program set up to check on you daily. If your community doesn't have a program like this, and you are worried about being alone in a medical or physical emergency, you can buy devices or security systems that you can use to summon help instantly if you need it.

Financial advice and/or assistance

For financial advice, talk to your banker, lawyer, financial planner, investment counselor, social worker, or accountant. If he or she can't answer your question, he or she should know someone who can. Volunteer organizations such as the AARP can also help. If you receive Social Security but are afraid that you can no longer manage your own finances, you should contact the Social Security Administration (SSA) for information on the Representative Payee Project. You should also contact the SSA for information on retirement, disability, survivor's, Medicare, and Supplemental Security Income (SSI) benefits.

Health information services

National associations (such as the Alzheimer's Association) are excellent sources of information on various health problems. Home health care agencies and associations such as the Visiting Nurse Association can help you locate in-home medical care or household help. Social Service agencies can provide you with mental health services or referrals and information on Medicaid. Hospitals can provide physician referrals, and doctors can provide referrals for geriatric assessment. Each state is required to have a health insurance counseling program, and you can receive advice about health insurance from an insurance agent or financial planner.



Legal services

Your local bar association may operate a referral service that you can use to find a lawyer if you need one. They may not recommend one particular attorney, but may provide you with a list of attorneys that specialize in elder law and help you set up a consultation with one or more of them. You can also receive information from your AARP chapter or from certain federal agencies. National organizations such as Legal Counsel for the Elderly can also answer your questions and provide referrals.

Meal delivery services

Meals-on-wheels is a well-known program that provides one hot meal and a light supper once a day, at least five days a week. Volunteers deliver the meals. If subsidized, the meals may be free, but sometimes you must pay a small charge for each meal that is delivered to you. Your community may also have a delivery service available that will pick up meals from a restaurant and deliver them to your home for a few dollars more than the actual cost of the meal. In addition, some national companies and local grocery store chains can ship or deliver groceries or meals to you.

Ombudsman programs

An ombudsman is a trained volunteer who monitors nursing home care or other long-term care facilities. Each state also has at least one ombudsman, and many cities and counties have local ombudsmen as well. If you or someone you love has a complaint about the quality of long-term care, you can contact the ombudsman through the nursing home or care facility, through the area agency on aging, or through your state department of aging.

Recreation services

Community centers, senior centers, churches, temples, and YMCAs (or YWCAs) offer recreation (including activities and exercise) programs geared towards older individuals.

Senior advocates

You may need an advocate in certain situations, particularly when you have a legal problem or a problem involving a government agency. You can find out about advocates from the National Association of Professional Geriatric Care Managers, the AARP, and through your local social service agency or bar association.

Senior centers

Local senior centers offer activities, trips, meals, education programs, health screening, and counseling. Fees for services and activities are usually low, and the fee might be waived if you can't afford it. Some provide free transportation. To find a senior center in your area call your local area agency on aging.

Social Service agencies

Social Service agencies sponsor in-home care, volunteer programs, family services, health or mental health programs, referral programs, adult day care, transportation, and other services. They can be nonprofit organizations or government agencies. You can call the Eldercare Locator or check with your local Social Service representative for information.

Transportation services

City buses and taxis are popular methods of transportation, but what if you don't live on a bus route or you can't afford a taxi? First, check with your local bus company. Some cities offer low-cost door-to-door bus transportation to seniors who live on city bus routes. Some hospitals or social service organizations also sponsor volunteer transportation services at little or no cost. You may be able to find transportation by contacting your local senior center or by looking under Transportation or Handicapped Transportation in your phone directory or by searching the Internet using those terms. In addition, your health insurance, Medicare, or Medicaid may cover some necessary medical transportation (for example, ambulance service).



How to Pay for Nursing Home Care

What is it?

Paying for nursing home care is a burden that most Americans bear, whether directly or indirectly. Even if you never need nursing home care yourself, you are already paying for the nursing home care of others by paying income taxes that, in part, finance Medicaid and veterans' benefits. In addition, you are probably paying Social Security or self-employment taxes that help pay the cost of skilled nursing home care provided through Medicare. Although your own nursing home care may someday be financed by one of these government programs, you may find yourself struggling to pay the high cost on your own if you are not poor enough to qualify for Medicaid or if you need custodial rather than skilled nursing care. In general, there are three ways you can finance nursing home care: pay for it from your own savings (self-insure), buy long-term care (LTC) insurance, or use government benefits.

Ways to pay for nursing home care

Self-insure

You may be able to afford to pay for nursing home care by using your own savings. To determine this, consider how much monthly income you will have after you retire. You may be able to liquidate some investments or sell your house to come up with additional funds if you need to. You might also be able to borrow against your cash value life insurance policy. (Note, though, that the death benefit available to your survivors will be reduced.) If you are seriously ill, and the policy permits, you can take accelerated benefits from the policy. However, when you determine how much retirement income you will have and how much your nursing home costs will be, don't forget to account for price increases and inflation. Consider also what will happen if your money runs out. Will you be able to qualify for Medicaid, or will you have to rely on your children for help?

Tip: *If you plan on self-insuring, it would be wise to consult a financial professional well in advance of retirement, due to the complexity of self-insuring and the numerous estate planning and taxation issues involved.*

Buy LTC insurance

LTC insurance pays for the cost of nursing home (or sometimes in-home) custodial care. It pays a fixed dollar amount of benefits per day to cover nursing home care, so it may not pay the total cost of nursing home care. LTC insurance is expensive, but the premium you pay depends upon at what age you buy the policy. The premium is fixed as of the date of purchase and only goes up if the insurance company raises its overall rates. Your premium is also affected by the elimination period you choose. (The elimination period is the time between when care begins and when the insurance company starts paying benefits.) Some policies give lifetime coverage, while others only give coverage for a specified number of years.

Example(s): *Marvin bought a LTC policy at age 66. His annual premium is \$3,000. He chose a 15-day elimination period and 3-year coverage at \$100 per day. This means that if Marvin enters a nursing home at age 76, his LTC policy will pay the nursing home \$100 per day for three years, but his coverage won't start until he has been in the nursing home for 15 days.*

Like any insurance policy, the features and price of a LTC policy may vary from one company to another, so you have to comparison shop.

Use government benefits

If you meet certain eligibility requirements, three types of government benefits can help you pay the cost of nursing home care: Medicare, Medicaid, and veterans' benefits.

Medicare

Medicare does not pay the cost of custodial nursing home care. However, it may pay part of the cost of skilled nursing care/rehabilitative care in a hospital or nursing home under the following conditions:

- You have been hospitalized for at least three days prior to entering the nursing home (and entered the nursing home within 30 days of being discharged from the hospital)



- A doctor certifies that you need skilled nursing care
- The nursing home or hospital is a Medicare-certified skilled nursing facility

Caution: Relying solely on Medicare to pay for nursing home care is a mistake, because Medicare defines skilled nursing care narrowly and pays limited benefits for care. For instance, if skilled care in a Medicare facility is approved, Medicare will pay for the first 20 days of care, and then will pay only part of the cost for days 21 to 100.

Medicaid

Medicaid does pay for custodial nursing home care (and in some states, in-home care), but only for low-income individuals who have few assets. If you have income and assets higher than the Medicaid limits, you will not be eligible for Medicaid. However, if you enter a nursing home and pay for care yourself for months or years, you may qualify for Medicaid once your money runs out. In addition, you may be able to qualify for Medicaid if you spend down or transfer your assets. For more information, consult an attorney who has experience with Medicaid planning.

Veterans' benefits

If you are a veteran age 65 or over, you may be eligible for treatment in a Veterans Administration (VA) nursing home. You don't have to have a service-connected illness or injury to get treatment, but since nursing home space is limited, veterans with service-connected conditions will be admitted first. Their treatment will be free; for others, treatment will be free only if certain eligibility rules are met. In addition, the VA runs other community retirement facilities that you may be eligible to enter. For more information, contact your local Veterans Administration office.

Tax considerations

You may be able to deduct LTC insurance premiums

LTC insurance premiums are deductible as medical expenses within certain limits. How much you can deduct depends upon your age at the end of the tax year.

You may be able to exclude LTC insurance reimbursements from income

Money you receive under your LTC insurance contract may be excludable from income for tax purposes (subject to certain limitations). In addition, if your employer provides coverage for you under a LTC insurance contract, the value of coverage is generally excludable from your income, unless the coverage is provided through a cafeteria plan or if you are reimbursed under a flexible spending account.

Example(s): Grant's LTC insurance contract states that the company will pay for nursing home care beginning on the 16th day after care begins. Grant enters a nursing home that charges \$125 a day. His total expenses for 60 days are \$7,500. His insurance company sends him a check for \$5,625 (45 x \$125). The \$5,625 he receives is excludable from his income for tax purposes when he files his annual income tax return.

Caution: When deducting your medical and dental expenses from your income taxes, you must reduce your total medical and dental expenses for the year by reimbursements you receive under a LTC or other insurance contract.

You may be able to deduct nursing home costs for which you are not reimbursed

You may be only partially reimbursed for nursing home costs under your health insurance or LTC insurance contract. However, any expenses you have for which you are not reimbursed may qualify as medical deductions for income tax purposes.

Questions & Answers

Can your son or daughter be asked to guarantee payment to a nursing home if you don't qualify for Medicaid?

No. In fact, under federal law it's illegal for a nursing home to ask a child to personally guarantee payment for your care. However, the nursing home may require you to prove you have the money to pay for your care by asking you to provide bank statements or by asking you to put down a deposit.



Common Incapacity Documents

Durable Power of Attorney for Health Care (DPAHC)/Health-Care Proxy	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Is flexible--allows your representative to act on your behalf and make medical decisions based on current circumstances • Generally, your representative can make any decision you would be allowed to make • Generally can be used any time you become incompetent 	<ul style="list-style-type: none"> • Not practical in an emergency--your representative must be present to act on your behalf • Not permitted in some states
Living Will	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows you to convey decisions regarding your medical care without relying on any one person to carry out your wishes 	<ul style="list-style-type: none"> • Generally can be used only if you are terminally ill or injured, or in a persistent vegetative state • Generally used only to make decisions regarding life-sustaining treatments • Emergency medical personnel generally cannot withhold emergency care based on a living will • Not permitted in some states
Do Not Resuscitate (DNR) Order	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows you to decline CPR if your heart or breathing fails • Effective in an emergency--your doctor should note an in-hospital DNR order on your chart. Out-of-hospital DNR orders take various forms, depending on the laws of your state. ID bracelets, MedicAlert ® necklaces, and wallet cards are some methods of noting DNR status. 	<ul style="list-style-type: none"> • Some states allow DNR orders only for hospitalized patients--others do not restrict eligibility • Only used to decline CPR in case of cardiac or respiratory arrest • Not permitted in some states
Durable Power of Attorney (DPOA)	
Advantages	Disadvantages
<ul style="list-style-type: none"> • You control who acts and what they can do with your property • Low cost to implement • Decreases the chance of court intervention 	<ul style="list-style-type: none"> • Some states do not permit a "springing" DPOA (i.e., a DPOA that is effective only after you have become incapacitated)



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