A PARENT'S MOVING IN: PREPARE TO PROVIDE FINANCIAL SUPPORT

If you're like many sons and daughters, you've often thought about everything your parents have done for you. On a financial level alone, they probably worked hard to support you when you were a child, perhaps put you through college or helped you buy your first home.

While it may seem impossible to return the favor, you may need to if your parents need help on a day-to-day basis. You are not alone; nearly a third of all U.S. adults provide care to someone who is ill, disabled or aged, according to the Family Caregiver Alliance.

If you are considering becoming a primary or partial caregiver for your parents and taking one or both of them into your homefinancial considerations before they move in, including health care costs and ensuring your home can accommodate their needs. The Pew Research Center recently reported that nearly 23 percent of adults have given financial support to an aging parent in the past year.

Fortunately, sound financial planning can go a long way to maximize the health and wealth of the whole family. Feeling secure in your finances can reduce stress so you can focus on the emotional and logistical aspects of this life change.

Plan on planning

By 2030, the U.S. Administration on Aging estimates the population of Americans age 65 and older will be more than double what it was in 2000. And yet, many families are not planning ahead.

"With medical care becoming increasingly effective, people are living longer, which oftentimes makes it more difficult to plan for financial events that are going to come in your 80s, 90s or beyond," says Robert Pace, a Financial Advisor at SunTrust Bank, SunTrust Investment Services, Inc., in Savannah, Ga. With this trend in mind, he recommends his clients manage their money in "buckets," including one dedicated to money needed for caregiving. The size of this bucket depends on your parent's needs and resources.

Unfortunately, he finds that most adult children have not thought about or contributed to the caregiving bucket before they need those funds.

"It's usually not something we think about when Dad and Mom are in their 50s, but that's when we should start planning," Pace says.

It's important to fill this bucket early and understand your parents' life circumstances and risk factors so you can head off financial—as well as emotional —challenges in the event that they suddenly require a new level of support, Pace says.

Key considerations

Plan in advance for caregiving costs and a parent's potential move by taking the following into consideration when making a financial plan:

- **Real estate:** Accommodating a parent in your home might require renovations or a bigger, safer space. For example, if mobility is a concern, you might need to install a wheelchair ramp or a stair lift. You may also consider using a home equity loan to turn your basement into an in-law suite, or convert your garage into an extra bedroom. If renovations are not an option, it might make sense to buy a new, larger home with the space and amenities to accommodate your parent's needs, and the new lifestyle of your entire family.

  "You're combining two parties that are used to living independently," Pace says. "You need to make sure your home is big enough and provides private space both for you and your parent. If the house is not up to par, that's usually an expense the adult children have to bear."

- **Health care:** While you cannot predict illness, you can prepare for it by investing in long-term care insurance, which covers the cost of part- or full-time in-home care—which is typically not covered by health insurance or Medicare.

- **Budget adjustments:** Nearly half of adults age 40 to 59 have both a parent age 65 or older and either a minor child or a grown adult child they're supporting, according to the Pew Research Center. As those families can likely attest, adding a parent to the household is like adding another dependent and requires revisiting the family's budget.

- **Retirement:** Where your parent is today, you'll be tomorrow. While it's important to save for caregiving, it's equally important to continue saving for retirement.

  "You need to go back to your retirement plan and see how this new expense affects it," Pace says. "The key is making sure it's not going to affect it to the detriment of the adult children, because neither your parent nor children want that to happen."

Ultimately, families have two choices: Be reactive or proactive. Pace recommends the latter. "Planning ahead will make the transition a lot easier, both financially and emotionally," he says.

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