



## Regions Wealth Podcast

### **Episode 4: The Cost of Independence**

As we age, so do our parents. And that means they might need our help, just as we once needed theirs. But how do we care for them without breaking their spirit — or breaking the bank? Wealth Planner and Wealth Planning Program Administrator Bill Scofield joins us in studio to discuss the financial and emotional impact of moving an elderly family member into your home and what steps you should take in terms of family finance planning.

### ***Episode Transcript***

#### **Anne Johnsos:**

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Ann Johnsos. You know what's real? The circle of life. As we get older, so do our parents. And that means they might need our help, just as we once needed theirs. But how do we care for them without breaking their spirit — or the bank? Joining me in studio is Bill Scofield. He's the Director of Wealth Planning at Regions Private Wealth Management. Bill, thanks for being here.

#### **Bill Scofield, Wealth Planner and Wealth Planning Program Administrator, Regions Bank:**

Very glad to be here, thank you.

#### **Anne:**

In this episode, we're talking about the cost of independence. We've taken frequently asked questions from a bunch of people and developed a character who needs your advice. Let's listen.

#### **Miguel:**

My name is Miguel. I grew up in a tight knit family. But things changed a lot after my dad died a few years ago. My dad worked hard his whole life, saved a lot. Built his business from the ground up. Mom took care of the house. Super traditional, you know. Dad was really set on the idea that they'd maintain their independence as they got older. He'd worked hard for our home and didn't really want to downsize. About ten years ago, when my dad retired, my sister brought up the possibility of them going into a retirement community. And that went down in history as one of the biggest fights in our family.

#### **Anne:**

All right, so I think this is the crux of Miguel's problem. Or the beginning of Miguel's problem, which is should adult children broach the topic of future living arrangements with their parents? It sounds like Miguel and his sister brought it up, and it was not received very well.



**Bill:**

Yes. That can be a very difficult conversation to have. Especially for a child, talking about when their parents may not be able to take care of themselves. Because for as long as they've known their parents, they've been able to take care of themselves. I think it needs to be done at the right time, planning far enough ahead that there is not an emotional part to it, that it's imminent. I think maybe bringing it up when they're not talking about money in the future, but maybe just talking about what's going to happen in the future, and then saying "hey, mom and dad, have you considered what might happen if..." or, "what are your plans for this?" Just kind of throwing out some what-ifs, and asking what they've talked about, and what kinds of plans they've made.

**Anne:**

Do you suggest having that conversation before any major changes have occurred? The reality is, you never know when you'll lose a parent. But do you suggest saying, "mom and dad, you're both 70, whatever, and we just want to talk about this way ahead of time."

**Bill:**

Yes, I think that is good. I think it's very difficult for a child to be able to bring that up with their parent. Put it in terms of, we care about you. We want to do what's best for you, and for our whole family. And what we want to do, mom and dad, is talk to you about what happens *if*. I know Dad, you're healthy, but what happens if you do pass away early? It's a possibility. Mom, what do you think you would do? How would you think you would handle that? Have you and Dad talked about this? Or an alternative, what if one of you were not able to take care of yourself? How would the remaining person, the other parent, be able to caregive, and would they be physically able to?

I think focusing in on the parents, and their well-being, and making sure they understand that they're the most important person in the conversation. And recognizing that this is a tough decision. It can be very embarrassing to lose your independence, or not be able to actually physically take care of yourself. So being very sensitive to that, empathetic with that, is important.

**Anne:**

Absolutely. And there's a good chance Miguel's parents have already given it some thought, even if they haven't discussed their plans with him. According to a new profile of older Americans by the Federal Administration for Community Living, of the 50 million Americans older than 65, only about 3% live in institutions or nursing homes. And a survey by AARP found that 3 out of 4 adults over the age of 50 would prefer to stay in their homes and communities as they age, if they could. Now Bill: one of your specialties is retirement planning. For those who want to remain independent after retirement, what type of planning has to occur?



**Bill:**

Well, I think those folks need to start planning early. It's important to make sure there's plenty of time to accumulate the assets, to make the changes they need to make in their lifestyle or their working life or their expenses, that they can make sure that they have projected in the future what they need to meet their goals. So a good thing to do would be to build in some what-ifs into their workings with their financial professional. As they look at the numbers, as they project asset values and incomes and expenses, build in a few what-ifs. What if they need to retire early? What if these extra expenses come because of health care or there are increased costs later, because of an illness? So, building in some what-ifs, working with a financial professional, starting early are all good things to do as they look towards being independent in retirement.

**Anne:**

Yeah, so initially we talked about the kinds of early conversations you should have as a family, but with retirement planning, it sounds like it's a good idea to get a professional involved too. Tell me why you think that's so valuable.

**Bill:**

It really helps to see the numbers on paper, instead of just guessing. When the numbers are on paper, you can kind of take the emotion out of it. Because it's very factual, it's right there. So in that case, a professional might build in what it would cost at a certain age if they needed home health care. Here's what it costs to bring someone in every day, and here's what that's going to cost, and here's your expenses, and here's what you've got coming in. So you're going to need an extra X amount each month to be able to pay for that, and here's how it's going to affect your assets as you continue to live. Maybe the discussion is, let's look for a way where we can have someone else pay for that health care. And maybe it's a life insurance policy or long-term care policy, where someone can pass the cost on to someone else by paying premiums, but still have benefits that can be drawn upon to help them at that time when they need them.

**Anne:**

That makes sense. That's probably not the kind of stuff most families would know to consider or how to navigate solo. Let's hear a little more from Miguel.

**Miguel:**

I think my parents just assumed that they would take care of each other as they aged. And they did. But then after he died, my mom was left without a plan. She was so used to having people around, too. You know, I think she was scared to be alone. She asked to come live with us, almost right away. Like when we were planning the funeral. She knew we had the space. Almost immediately after she moved in, the fighting started. It was mostly between my mom and my wife. Then I started noticing the financial strain too. I know my mom has enough money to support herself. My dad was obsessive about planning for that. But she never



offered to help us out. I have a good job, and my family is comfortable. But it just started to feel like a burden. Adding a new member to the household is expensive, you know. It took just a few weeks for me to think, wow, this might have been a bad decision. Which I hate to say, because she's my mom. I was 100% convinced having her live with us was the worst decision I have ever made.

**Anne:**

So, bringing someone into your house, what are the financial implications of moving a senior into your home? What do you have to do?

**Bill:**

Financial considerations of bringing someone in your home. Well, there are several. First, if you add someone to the household, there's extra costs. You have utilities, you have food. Depending on who's going to be driving and taking that person around, there might be gas. An extra cable box for their bedroom. So, there are some utilities and some marginal cost increases that you have to consider in the household budget. From a structure standpoint, the house may need to be altered physically. So there may be the cost of a ramp, there may be a cost of grab bars, something that helps steady the individual. Maybe expanding doorways for wheelchairs, stair climbers for somebody who needs to get up the stairs to the bedroom. So there's physical changes that might need to be made.

Another thing may be who carries the cost of home health if somebody needs to come in? Or increased medical cost deductibles and things. Who's going to contribute to that as part of the family the new household member? Then one of the other big costs that a lot of people don't think about is the opportunity cost of someone who has to stay home. If there is a requirement that one of the family members, existing in the household, has to stay home and be a caregiver, then there's the opportunity cost of that person being out in the workforce, and earning something and saving for their own retirement. So quite a few financial considerations that need to be made when considering bringing someone in as another member of the household.

**Anne:**

Let's say Miguel says, okay you can move in, but we need financial help from you. Dad left you a lot, or enough. How do you broach that without sounding mercenary?

**Bill:**

Well I think that thing to talk to the parent about is, we've each got our own lives we live. Let's sit down and talk about maybe some ground rules. Maybe you call them boundaries. And let's talk about what happens if we run into this situation, how we're going to handle that. We want to do what's best for you Mom, but we also want to do what's best for our own family. And together, if we work and have a plan and talk about it, we'll be in a much better position, I think, to be happy and be able to live together.



**Anne:**

Great. So let's wrap up with Miguel and hear where things stand now.

**Miguel:**

Eventually, my sister offered to take her in. Now, we're splitting the costs 50/50. It's been a huge weight off my shoulders. However, I'm a little concerned that we're going to repeat history here. My wife's mom isn't doing well these days. I want to make sure we don't end up in the exact same position all over again.

**Anne:**

Okay Bill: what can we learn from Miguel's experience with his mother, and apply to a potential experience with his mother-in-law?

**Bill:**

Well I think one of the things to take away, that Miguel has learned from this, is to have a discussion before the event actually happens. So bring up the subject now, get with his wife and talk about, let's talk about your mom. We know she's aging, what are some of the things you've thought about, about her care. So starting that conversation early. The other thing is to address the financial angle sooner, and make sure again, that we talk about boundaries. And the financial boundaries. So talk to the family, and say hey, how are we going to handle this from a financial perspective? Who's going to contribute to the household, who's going to handle what expenses? And then I think we learned from Miguel you've got to consider what happens in the household. The interpersonal, the dynamics of the family. So addressing that, talking between themselves, Miguel and his wife, as to how they want to handle things. And talk to her mother about how that might look if she were to come live with them. So the mother knows, here's what my options are. Or what are our other alternatives? So maybe even exploring other alternatives so it isn't just one solution.

**Anne:**

So Bill, when we're talking about making these plans, having these discussions. Do they need to be in print? How solid do they need to be, and do you revisit every once in a while, because things do change? So let's say Miguel says, of course you can live with us, and then the mother-in-law gets drastically less healthy. What's your plan for that? Is there a schedule of revisiting these plans?

**Bill:**

Well, I don't know that there needs to be necessarily a formal review plan. Life evolves. And I think with Miguel and his family, they will notice milestones in their family life, and as they reach these milestones, they can address and think about, what's next? So I don't know that that needs to be an ongoing conversation. You don't want to continue to revisit this, on a regular basis. But as their circumstances change, I think it's helpful to bring things up. Use



those as the milestones to say, what's next? And let's look at another five years, or whatever the time frame may be, as to what does that look like?

**Anne:**

Getting back to Miguel, what should he do now to plan for his retirement and his independence, by looking at his own mother? Can he use this to help himself in the future?

**Bill:**

I think he can. Certainly, our own experiences shape what our future looks like. So he can use this as an example of what if? So as he and his wife are planning for their retirement, what if something happens like happened to my mother? How would we handle that? Factor that into the work that they're doing in their planning, to make sure that they're prepared when that does happen. One of the things I'd caution about is we can't always look at those around us, to see what might or might not happen, because we're all individuals. And everybody's life is their own. So we can't say, oh this happened to this person's relative, so it's going to happen to me. But I think what we can do is we can use them as examples, as they work on their financial plan, and think about their future to build those in as possibilities so that they can have the best probability of success with having a happy, successful, fulfilled life after he's done working.

**Anne:**

So we always end the podcast asking for a few takeaways, because we want people to remember one or two things and say, tell a friend. So if our audience could learn one or two, even three things from this, what would it be?

**Bill:**

Take a look at the family situation, and project. And if there is something that could happen in the future, plan now. So address that sooner rather than later, before the event happens. Communication I think is another key takeaway. Making sure that the individual and their loved ones, whether it's their spouse or their parents, that they're talking about what each of them wants out of the living situation, and how they want to handle things. I think another thing would be, consider what the parent or the, the parent is going through. Make sure that they're respectful of their decisions, that they understand what they're going through on an emotional standpoint, in evaluating their growing old, and their independence and just keep that in mind as they communicate and talk to the family.

**Anne:**

Thank you so much Bill Scofield, Director of Wealth Planning for Regions Private Wealth Management. Thanks for joining us.

**Bill:**

You're very welcome, I enjoyed it.



**Anne:**

And thank you all out there for listening. Every episode we look at a different wealth management issue and hear from a Regions advisor on the best way to tackle it. We hope you'll continue to tune in and share this with a friend who might enjoy Regions Wealth Podcast.

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