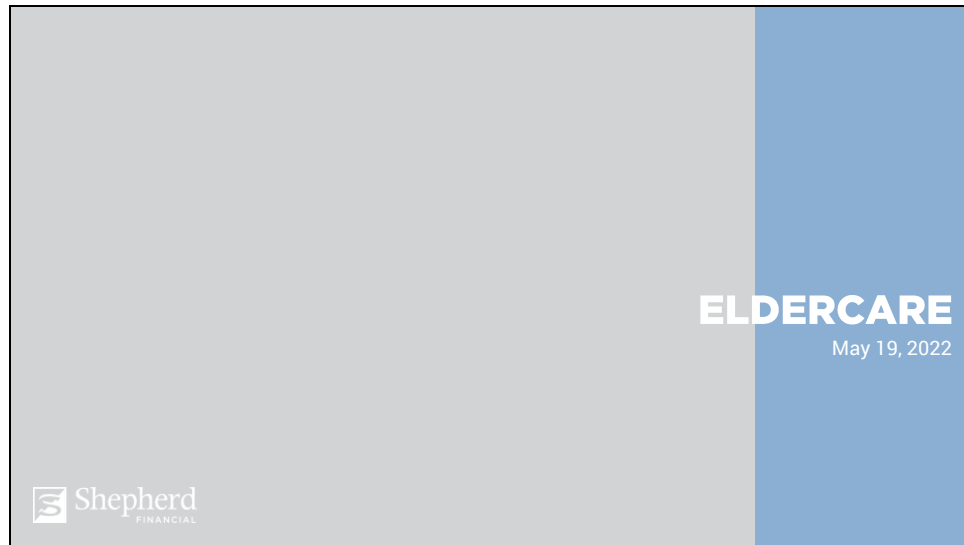



Slide 1



The slide features a light gray background with a vertical blue stripe on the right side. The Shepherd Financial logo is in the bottom left, and the title 'ELDERCARE' with the date 'May 19, 2022' is on the blue stripe.

 **Shepherd**
FINANCIAL

ELDERCARE
May 19, 2022

Slide 2

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Slide 3

ELDERCARE		
WHAT IS ELDERCARE?	ELDERCARE is specialized care designed to meet the needs of senior citizens at various stages. These services are meant to help seniors live as comfortably and independently as possible.	
COMMUNICATION IS KEY		Eldercare could encompass anything from assisted living and nursing care to adult day care, home care, complex medical care, or hospice care.
ASSESSING NEEDS		Eldercare might also include transportation, cooking, and cleaning.
FINANCIAL SITUATION		Today, 30 million households are providing care for an adult over the age of 50.
FINANCIAL CHALLENGES		Paid caregivers' fees vary widely based on their skills, services, and where the person being cared for lives.
INSURANCE AND HEALTHCARE		
ESTATE PLANNING		

Sources: Prepare to Care, AARP; Economic Impacts of Programs to Support Caregivers: Final Report, 1.30; Cost of Care Survey, Genworth, 2.7.22.

When people get older, they often face physical or mental difficulties that interfere with their ability to perform normal activities. So when we use the term eldercare, we are really talking about senior care – the specialized care designed to meet the needs of senior citizens at various stages. These services are meant to help them live as comfortably and independently as possible. This could encompass anything from assisted living and nursing care to adult day care, home care, complex medical care, or hospice care. It might also include transportation, cooking, and cleaning.

When we are young, it's hard to image our parents aging into senior citizens. We rely on them for so much, so the notion we might someday be responsible for ensuring their financial security seems like a strange concept. The truth is, though, those days may arrive faster than any of us expect. This topic hits close to home for several of our team members right now, and I hope all of our listeners also find it helpful. Much of the eldercare in the United States is performed by family members. Today, 30 million households are providing care for an adult over the age of 50. But in some cases, hiring someone else may be necessary.

Paid caregivers' fees vary widely based on their skills, services, and where the person being cared for lives. National averages for an in-home caregiver range from \$20 to \$30 an hour, while adult day care is about \$80 per day, and a semi-private room in a nursing home can cost about \$95,000 a year. As you can see, some planning will be necessary to determine the best fit for your parents, both emotionally and financially.

As a potential caregiver, it's important for you to evaluate your own values, responsibilities, and finances, but don't make a plan or intervene in your parents' lives without their knowledge. This is important to protect both the person being cared for and you to avoid getting into legal trouble. We'll discuss some ways to help both you and your parents from a legal perspective.

When it comes to eldercare, there is a lot to cover! Eldercare could certainly apply to different family members, but for simplicity's sake, we're going to focus on caring for elderly parents. Today, we're going to talk about initiating the conversation about future plans and care, key areas to focus on, and some particular challenges your parents may face in the upcoming years. We're going to stay at a pretty high level, but I want to remind everyone that our team is here for those deeper conversations after the fact. If this is a timely issue for you, please don't hesitate to reach out to schedule time with one of our team members.

Slide 4

ELDERCARE	
WHAT IS ELDERCARE?	Your conversation about the future can help you understand your parents' goals, let them be sure they have prepared for what is ahead, and provide opportunities to take advantage of various resources.
COMMUNICATION IS KEY	<ul style="list-style-type: none">• WHAT ARE SOME OF YOUR GOALS FOR THE FUTURE?• WHERE ARE YOUR FINANCIAL RECORDS AND ACCOUNTS?• DO YOU HAVE ENOUGH INCOME AND SAVINGS TO FINANCE YOUR RETIREMENT?• WHAT IS YOUR CURRENT HEALTHCARE SITUATION?• HAVE YOU DONE ANY KIND OF ESTATE PLANNING?
ASSESSING NEEDS	
FINANCIAL SITUATION	
FINANCIAL CHALLENGES	
INSURANCE AND HEALTHCARE	
ESTATE PLANNING	

Whether you are 20, 40, or 60, there are many reasons to start the conversation early with your parents. You may be able to help them make sure they've done everything they can to preserve their estate, including proper insurance coverage. Or you may be able to help them take advantage of resources they might not have known about, such as free or low-cost services, discounts at stores, free rides, activities, and alternative living arrangements. There's a lot to think about!

We know it can be difficult for children to step into the advisory role their parents have filled for a lifetime. Whether you have one big conversation or a number of smaller ones, some of the topics you will need to cover include: financial, insurance, and legal affairs, their current health status and how to handle any costs if their health worsens, and their wishes during a health emergency and after death.

It might feel awkward at first, but the more you talk about these issues, the more comfortable you and your parents will become. After all, the goal is to provide the best care possible for your parents. Ideally, you and your parents will work together as a team, discovering their wishes in addition to their needs.

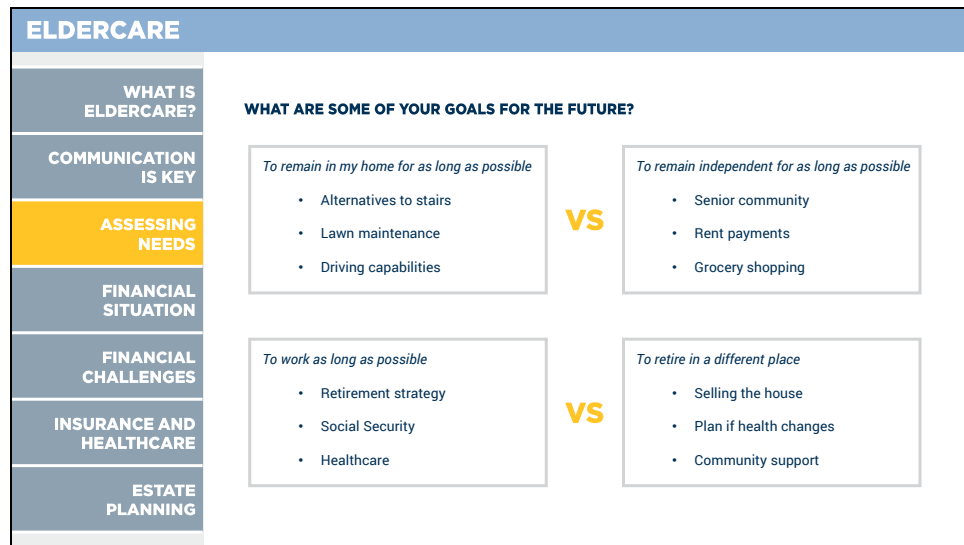
The first thing to remember is that the purpose of your talk is to gather information and listen. While this conversation often results in a discussion of feelings, what you are really after are facts, plans, and a status report. To initiate the conversation, you might say, 'I'd like to talk with you about the future. There are lots of things that would be helpful to know. Is this a good time to talk?' Be sure to listen to your parents and be open-minded about their wishes.

Remember, though, you can't have a productive conversation if you don't cover the basics. And you're not trying to counsel your parents, so bringing in a third party – like an advisor or counselor or maybe even both – could be helpful if you're struggling to get to the meat of the conversation. To comprehensively address your parents' future situation, ask questions like:

- What are some of your goals for the future?
- Where are your financial records and accounts?
- Do you have enough income and savings to finance your retirement?
- What is your current healthcare situation?
- Has any estate planning been done?

By starting with these questions, you can develop an in-depth view of your parents' situation, assess their needs, begin to form a caregiving team, and create a plan to help support your parents.

Slide 5



As you figure out what your parents' priorities are, where they want to live, and what kind of care they might need, you'll be able to better determine the information you need, as well as which resources might be most helpful. What we're showing on the screen here are some talking points as you identify various goals together.

For example, perhaps your parents care a great deal about remaining in their own home. Some needs to consider might be if they have stairs, who will maintain the lawn, and how long they might be capable of driving themselves. Alternately, maybe your parents want to remain independent but don't care as much about remaining in their own home. Maybe they would like to be in an apartment community designed for later in life transitions. That could change the needs conversation from mortgage payments, home repairs, and lawn care to rent payments, housekeeping, and grocery shopping.

It's also important to keep in mind that you are likely creating plans for various stages of life. As time progresses, health deteriorates, or a spouse passes, you may need to pivot to alternate solutions. For example, if a health condition poses a risk to independent living, that could be an agreed-upon point to transition to an assisted living facility. These checkpoints could be useful for driving decisions, personal care, and managing financial affairs.

Ultimately, the caregiving plan should identify the goal, explain the need, earmark the steps required, indicate who is responsible, and spell out the timeline for completion. Just creating this plan can be time consuming and may take multiple conversations, but it is so important for laying the groundwork. Keep in mind, you need time to conduct due diligence to fully

understand the spectrum of services available at various facilities. What are their capabilities to deal with memory issues, vision loss, or progressive health conditions? Don't be overwhelmed, though. There are consultants and advisors who can give you insights and help along the way.

Something we haven't mentioned yet is the role of multiple children in a family. Siblings have different financial resources and demands on their time, so equally sharing the burden of eldercare may not happen. Having ongoing conversations about your roles with respect to your parents can ease decisions in the future.

Slide 6

ELDERCARE																						
WHAT IS ELDERCARE?	<table border="1"> <thead> <tr> <th colspan="2">Monthly Income</th> </tr> </thead> <tbody> <tr> <td>Net salary 1</td> <td></td> </tr> <tr> <td>Net salary 2</td> <td></td> </tr> <tr> <td>Additional income</td> <td></td> </tr> <tr> <td>Total monthly income</td> <td></td> </tr> </tbody> </table>	Monthly Income		Net salary 1		Net salary 2		Additional income		Total monthly income		HEALTHY FINANCIAL DIALOGUE <ul style="list-style-type: none"> • Be respectful • Don't interrupt • Take turns speaking • Actively listen • Try to understand each other's perspectives 										
Monthly Income																						
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COMMUNICATION IS KEY																						
ASSESSING NEEDS	<table border="1"> <thead> <tr> <th colspan="2">Housing Expenses</th> </tr> </thead> <tbody> <tr> <td>Rent/Mortgage</td> <td></td> </tr> <tr> <td>Home insurance</td> <td></td> </tr> <tr> <td>Electric</td> <td></td> </tr> <tr> <td>Gas</td> <td></td> </tr> <tr> <td>Water</td> <td></td> </tr> <tr> <td>Trash/Recycling</td> <td></td> </tr> <tr> <td>Phone</td> <td></td> </tr> <tr> <td>Other</td> <td></td> </tr> <tr> <td>Total housing expenses</td> <td></td> </tr> </tbody> </table>	Housing Expenses		Rent/Mortgage		Home insurance		Electric		Gas		Water		Trash/Recycling		Phone		Other		Total housing expenses		KEY CONTACT INFORMATION <ul style="list-style-type: none"> • Financial advisor • Attorney • Accountant • Physician • Other close advisors
Housing Expenses																						
Rent/Mortgage																						
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FINANCIAL SITUATION																						
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INSURANCE AND HEALTHCARE																						
ESTATE PLANNING																						

Let's talk about finances for a few minutes. The goal is to prevent financial trouble before it starts, because juggling expenses and income can be a challenge for many retirees. We'll discuss some financial warning signs to look for, but right now, I want to focus on the bigger picture conversation.

The first step is to gather documentation about bank accounts, assets and investments, tax information, retirement policies, credit cards, bills, and financial advisors. You'll want to look closely at cash flow, budgets, and expenses. Just like with our basic budgeting and debt management skills that we love to talk about, you need to have an idea of what your parents have versus what they owe.

Then you'll need to think through budget options based on the needs you have identified and think may be coming up. Whether your parents will remain in their home, move in with you, or move to a long-term care facility, you'll need to determine how much they need to pay their bills. At a certain point, your parents may be receiving Social Security, have an annual drawdown from their retirement accounts, or other income streams, like investment dividends. It will be helpful to conduct an audit of any policies they may own to better understand what financial and care options are available in the future.

Aside from understanding their financial outlook, you'll need to talk with your parents about how and when to access their accounts. Write down account and login information. Consider joining a meeting with your parents and their financial advisor. Having easy access to your

parents' assets is essential as you take on more of their caretaking, especially if you will be responsible for paying bills, filing taxes, and more.

Slide 7

ELDERCARE		
WHAT IS ELDERCARE?		
COMMUNICATION IS KEY		ELDERCARE LOCATOR www.eldercare.gov
ASSESSING NEEDS		AARP LONG-TERM CARE CALCULATOR https://www.aarp.org/caregiving/financial-legal/long-term-care-cost-calculator/
FINANCIAL SITUATION		AARP CAREGIVING RESOURCES www.aarp.org/home-family/caregiving
FINANCIAL CHALLENGES		MEDICARE INFORMATION & RESOURCES www.medicare.gov
INSURANCE AND HEALTHCARE		US DEPARTMENT OF VETERANS AFFAIRS https://www.va.gov/health-care/about-va-health-benefits/long-term-care/
ESTATE PLANNING		

After auditing your parents' income and expenses, you may find their expenses are greater than their income. Any shortfalls could require the spending of savings or finding additional sources of income. And there are strategies for making the most of your parents' assets. For example, this could include tapping into home equity through refinancing or selling their home. You may also consider borrowing against the value of a whole life insurance policy.

There are a range of federal, state, and local housing and housing assistance programs that are available to older individuals and families with limited incomes. For example, the Eldercare Locator specializes in putting caregivers in touch with a range of resources in local communities, including housing and transportation. AARP has a host of articles and resources to support both caregivers and the people they are caring for. And, of course, medicare.gov has more information about Medicare, resources, and services to help cover the costs of prescription drugs.

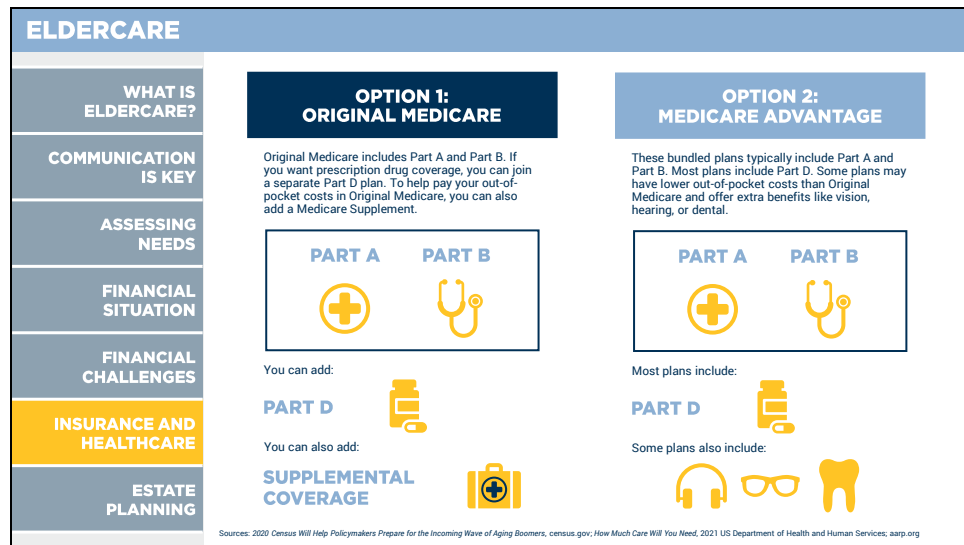
Do you know when it's time to step in for your parents? If you don't see them on a daily basis, you may not be aware your parents are beginning to have trouble or are becoming vulnerable. And even if one parent notices it about themselves or their spouse, they may hesitate to relay that information. Let's talk about some warning signs that your parents could be facing financial challenges you need to address.

Look for patterns of bills being paid late or not at all. Are there repeated episodes of forgetfulness and money mismanagement? Perhaps you see uncashed checks lying around,

notice they've been making large purchases, or have begun gambling. Elderly people are extremely vulnerable to scams, so be aware of calls, texts, emails, or social media invitations.

While it's true that many people remain competent to make decisions for themselves until they die, if something happens and you notice your parents making choices that are harmful to them, it is time to step in. You may have to go to court to have your parent declared legally incompetent. It's emotionally painful; to do it in the best way possible, consult with an elder law attorney to explain what is involved. We'll discuss some more legal options in a few slides.

Slide 8



You know, we touched on the cost of care at the beginning of the webinar. Healthcare costs are likely to change over time and can be difficult to predict. The reality is that illness and aging are expensive: more than three-quarters of family caregivers spend out of pocket on caregiving, with expenses averaging more than \$7,200 a year. The core driver of increases in the cost of care services remains supply and demand. Every day until 2030, 10,000 Baby Boomers will turn 65. Seven out of 10 of them will require long-term care services at some point.

It's important to know that Medicare does not pay for the vast majority of long-term care options. Typically, it only pays for short visits to rehab centers and hospice care. It will pay for home health care under some circumstances, but the coverage runs out after 100 days. Some Medicare Advantage plans from private insurers offer supplemental coverage for services like meal delivery and rides to medical appointments, but the coverage is limited. Medicaid, on the other hand, does pay for long-term care services, but strict eligibility requirements mean only those with very low income typically qualify.

So what's a helpful solution? Long-term care insurance. People generally buy long-term care insurance for two reasons: to protect their savings and to get more choices for care. Long-term care insurance can be purchased as a stand-alone policy or included as a rider on permanent life insurance.

A stand-alone policy ensures that no matter where your parents need care, they'll have the money to cover at least a portion of the bill. A lengthy stay at a nursing home is less likely to

drain their savings or wipe out their estate. Long-term care riders allow your parents to receive a portion of the death benefit while they're still alive, and this death benefit can be used to pay for long-term care expenses. Under most policies, they'll have to pay for long-term care services out-of-pocket for a certain amount of time, such as 30, 60, or 90 days, before the insurer starts reimbursing them for any care.

While Medicare isn't going to cover many long-term care options, it is still important to talk about briefly since it is part of the insurance coverage your parents will likely have. Our sister company, Shepherd Insurance, has a whole Medicare team, so if you have specific questions, please reach out! Medicare has four basic parts: A is hospital insurance and B is medical insurance. Part C is known as Medicare Advantage, which I referenced earlier, and it typically combines A and B coverage but may also include vision, hearing, dental, health, wellness, and prescription drug coverage. This is an alternative to a Medicare Supplement. Part D is prescription drug coverage, so if your parents are on a Medicare Supplement, they will need a separate Part D plan.

There's no one right answer for the appropriate type of coverage – it's all based on the type of fixed premiums and out-of-pocket costs your parents may want to pay, as well as their health conditions. Our recommendation is to review these Medicare options annually and take advantage of open enrollment periods if changes need to be made.

Slide 9

ELDERCARE		
WHAT IS ELDERCARE?		
COMMUNICATION IS KEY		A DURABLE POWER OF ATTORNEY ensures someone your parents trust will have the legal authority to take care of their financial matters.
ASSESSING NEEDS		A HEALTHCARE PROXY or MEDICAL POWER OF ATTORNEY covers all healthcare decisions when your parents are incapable of making decisions for themselves.
FINANCIAL SITUATION		
FINANCIAL CHALLENGES		A LIVING WILL is limited to deathbed concerns and covers specific issues like 'do not resuscitate' orders. Combining the medical power of attorney and a living will is called an ADVANCE HEALTHCARE DIRECTIVE .
INSURANCE AND HEALTHCARE		
ESTATE PLANNING		A LAST WILL is a legal document directing who will receive your parents' property upon their deaths, as well as appointing a legal representative. All last wills go through a probate process.

When caring for aging parents, it's essential you understand the basics of the legal issues involved. The three biggest concerns are ensuring your parents have a personal and financial management system in case they are incapacitated and unable to manage their own affairs, ensuring they have access to adequate health care without depleting all their resources, and ensuring there is an orderly distribution of assets after death.

Having a thoughtful conversation about estate planning can help address those issues. We certainly don't have the time to go through the full breadth of estate planning today, but our webinar from December on Preparing for the Unexpected would be a very good resource as a starting point for this conversation.

But let's touch on some essential elements to address in the conversation. And if you have multiple children in the family, your parents may want to allocate these various responsibilities to more than one person.

A power of attorney ensures someone your parents trust will have the legal authority to take care of their financial matters. This takes effect when the document is signed. A durable power of attorney means you would remain in control of certain legal, property, or financial matters spelled out in the agreement, even after your parent becomes mentally incapacitated.

A will is the best way to ensure the orderly distribution of assets after death, because it names one or more beneficiaries who will receive assets and property, as well as naming the person who will serve as the executor.

While the number of Americans who have a will is low, the number of those with a living will is even lower – fewer than one third have one! But living wills fill an essential function. They allow for healthcare wishes to be implemented in the case of incapacitation. As your parents age, living will directives become even more critical so their true wishes can be accommodated. Having a medical power of attorney is extremely beneficial so one person is designated to make all healthcare decisions, as well as end of life care.

Combining the living will and medical power of attorney is called an advance healthcare directive. This is a written, legal statement that lets doctors, family, and others know your parents' medical treatment preferences. Advance directives take many forms, and the laws governing them vary from state to state.



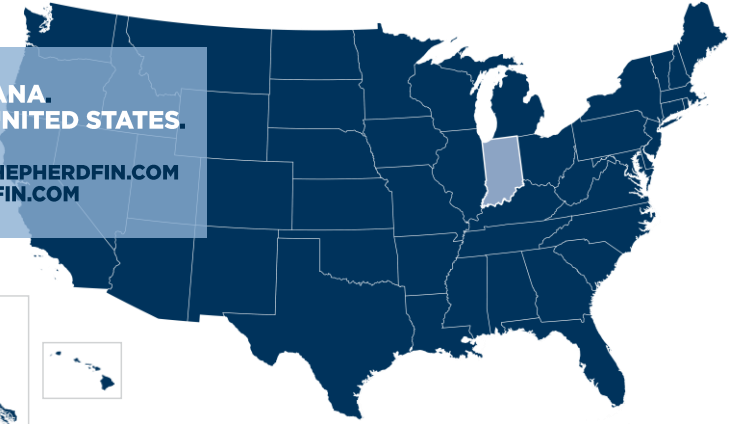
As you can tell, there are many issues involved in eldercare and estate planning. The main takeaway here is that creating legal documents to ensure the smooth transition of an estate and the appropriate medical decisions are made is critical. Working through these items before an urgent need arises can greatly reduce emotional, financial, and legal chaos.

We know this is a lot of information to process, and we've really just scratched the surface. Don't be overwhelmed. Please know our team is here to help you map out a plan, take essential steps, and prepare you and your parents for what's ahead.

Slide 10

CONTACT SHEPHERD FINANCIAL

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5/22

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