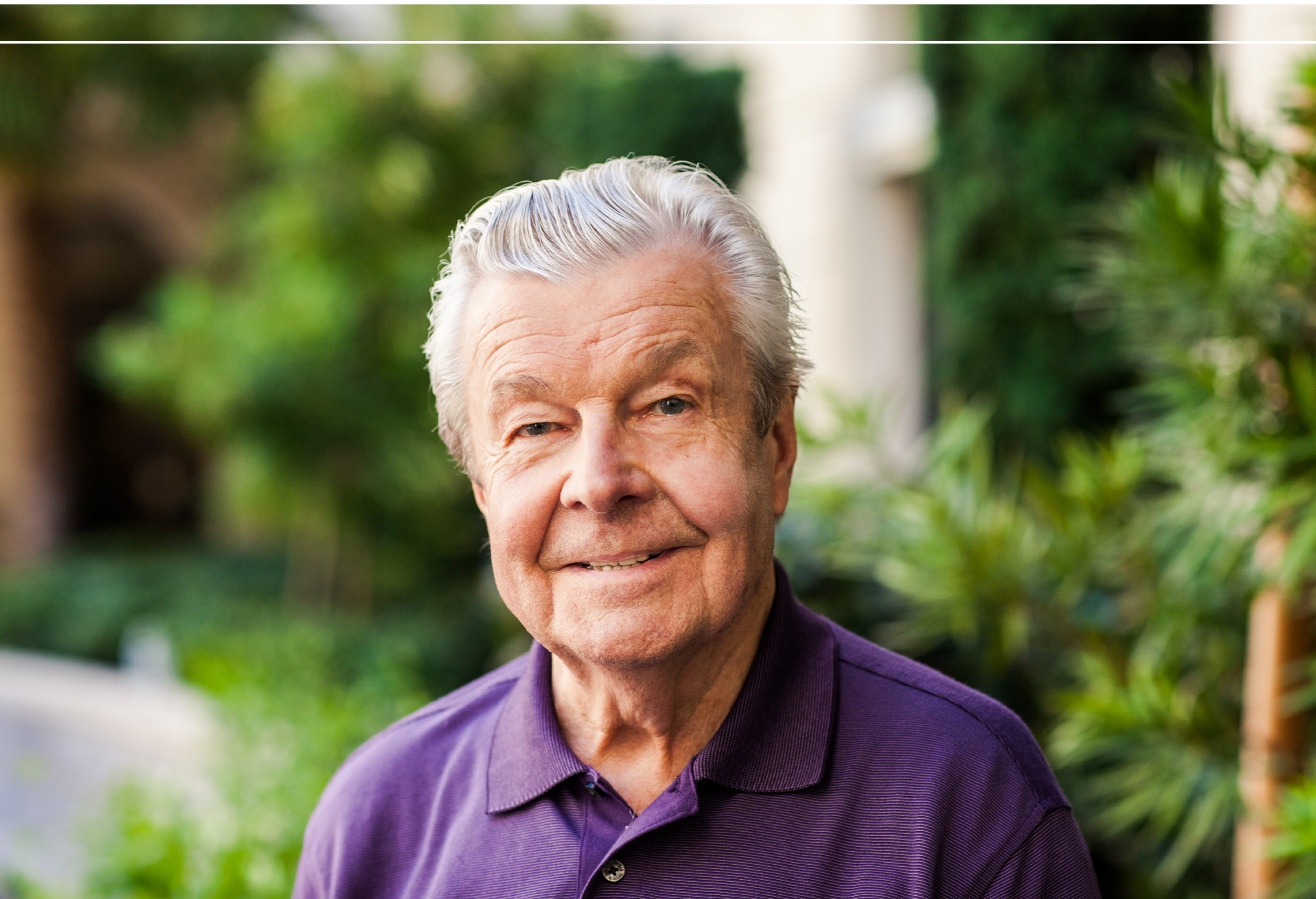
5 BEST-KEPT SECRETS
to Financing Senior Care

U.S. EDITION



5 BEST-KEPT SECRETS

Thank you for contacting A Place for Mom.

We hope you find this guide to be a helpful resource as you consider options for financing senior care. A Place for Mom is the nation's largest senior living referral information service. For 18 years, our company has been helping seniors and their families across the United States find senior care and housing that fits their personal needs. Our knowledgeable and compassionate Senior Living Advisors are easy to talk to about any family situation and can answer a wide range of questions about senior care. With a nationwide network of more than 18,000 providers of senior living services, A Place for Mom is a time-saving resource you can trust to help find appropriate living options for loved ones. We are paid by our participating communities and providers to offer this valuable service to you at no charge.

If you have questions about financing care or finding senior living options in your geographic area, please give us a call. We'll connect you with a Senior Living Advisor who will help guide you every step of the way.
Again, thank you for your interest in A Place for Mom. We look forward to your call.

–A Place for Mom

How do I pay for senior care?

It's a question that many aging Americans and their families struggle with now more than ever. Today's older adults and retirees are starting to look beyond traditional ways of financing their golden years. From innovative new financial vehicles to under-used benefits, we've turned up five hidden ways to pay for elder care.

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1: CHECK YOUR BENEFITS

VETERANS AID & ATTENDANCE

Did you know that the Department of Veterans Affairs will pay a monthly benefit to any active-duty veteran or veteran's spouse in need of care? Any vet who has served even one day during a period of foreign war can apply for the Aid and Attendance Special Pension. Beneficiaries need not have served overseas, retired from the military or seen combat. Surprisingly, however, only a few of those who are eligible for these benefits take advantage of them.

Under recent increases to the new benefit plan, a married veteran can receive over $2,100 a month to pay for senior care, while a veteran's surviving spouse can receive up to $1,176. Funds can be used to pay for any kind of assistance, from in-home attendants to assisted living or nursing home care. Veterans can even pay certain family members or friends to help them, whether or not they are licensed medical professionals.

The pension is "medically driven," says Chris Merrill of the National Care Planning Council, an organization that helps families plan for long-term care. The disability does not need to be service-related. Any vet who has difficulties with one or more activities of daily living, such as eating, bathing and dressing, as well as financial planning and medication management, may be eligible.

Aid and Attendance is also income- and asset-dependent. "In order to get the full benefit, I need to be paying out in care everything that's coming in to me as income," says Merrill. There is also an asset maximum of $123,600, which went into effect in October 2018. Given the number of veterans and their survivors in the U.S. population, the National Care Planning Council estimates that up to 25% of seniors could potentially apply for Aid and Attendance. However, "it's our belief that of all the people eligible, only 5% receive this benefit," says Merrill. Even veterans who have heard of the pension may not realize they can receive benefits if they themselves are healthy, but their spouse is sick—up to $1,436 per month.

OTHER SOURCES OF HELP

Even if you're not a veteran, both public and private programs offer benefits to seniors feeling a financial squeeze. From sources of information about long-term care to foreclosure-prevention assistance and subsidies for food, medication and housing, the National Council on Aging has identified more than 2,500 different programs assisting seniors in making ends meet. That's free money, and it often goes unclaimed.

For instance, the Alzheimer's Association offers a $1,000 grant to defray the cost of respite care. The money can be used to give families a break from daily caregiving responsibilities so they can provide better in-home care for loved ones suffering from Alzheimer's.

Other programs include rebates from drug manufacturers on senior medications, assistance with paying utility bills, free or reduced dental care and even free cell phones. While many of these programs are for very low-income seniors, others are open to those with slightly higher incomes who are still having a hard time making ends meet. "We encourage anyone who may know a struggling older adult to go ahead and do a screening to see what help may be available," says Brandy Bauer from the National Council on Aging (NCOA).

To learn more, visit the NCOA's benefitscheckup.org. Answer a series of survey questions to identify benefits that could help cover or lessen the costs of senior care. Once you finish the survey, the site creates a report detailing which programs could be beneficial in your situation and tells how to apply for them. Since the site's creation, it has identified more than $17 billion in benefits for more than 5 million older adults.

VA BENEFITS ELIGIBILITY

The following people are eligible for Aid and Attendance benefits:

- Any veteran with 90 days of consecutive active-duty services
- Any veteran who served at least one day during active war time (not necessarily overseas or in actual combat)
- Any surviving spouse of a veteran who was married to said veteran at the time of his or her death

The veteran must also meet one of the following criteria:

- Be 65 or older with limited or no income
- Be totally and permanently disabled
- Be a patient in a nursing home
- Be receiving Social Security Disability Insurance
- Be receiving Supplemental Security Income

HOW TO APPLY FOR VA BENEFITS

Many communities partner with companies that provide consulting services to veterans and their families. Be sure to ask when you tour a new community!

Go to www.vets.gov or www.ebenefits.va.gov.

Contact your VA Regional office. To locate the closest regional office to you visit the VA website at www.va.gov.

No computer? No problem. Call the VA: **1-800-827-1000**.

 # 2: MAKE THE MOST OF SOCIAL SECURITY

TIMING IS EVERYTHING

You won't often hear this applied to financial planning, but it's becoming increasingly common when it comes to Social Security benefits: delay.

In the past, it was best to take benefits early and invest them, but today, that's not necessarily true. Today you can maximize benefits by taking advantage of delayed retirement credits. Depending on when a retiree was born, benefits increase by 3-8% every year. For instance, if you wait until age 70 to collect, that monthly check could increase by 25% or more. What's more, a surviving spouse drawing a lesser amount in Social Security can instead receive the entirety of the spouse's benefit upon the worker's death, making those delayed retirement credits even more valuable.

If you are in poor health, have a family history of early mortality or simply need the money, delaying benefits may not be possible. But, with life expectancy at retirement currently standing at around 20 years, odds are that the larger monthly check will quickly pay off—and continue paying—with regular cost of living adjustments.

CONSIDERATIONS FOR COUPLES

Many married couples find that they can maximize benefits by thinking carefully about which spouse should file for benefits and when. A worker can now "file and suspend" benefits at full retirement age, continue working and accumulate delayed retirement credits while that person's lower-earning partner collects spousal benefits immediately.

Married couples with similar incomes can also approach Social Security tactically. If one member of the couple decides to retire, the other can collect spousal benefits and delay receiving his or her own benefit in order to increase the size of the eventual monthly check.

Don't forget that minor children of those collecting Social Security also receive a benefit and divorced spouses can receive spousal benefits in some cases. Social Security represents a stable source of funds (around one-third of the average retiree's income), and it pays to maximize the return on your own investment.

Here are some important steps to take when getting your affairs in order:

- Gather all the information you can about your income, investments, insurance and savings
- Put important papers and copies of legal documents in one place
- Tell a trusted family member or friend where you put all your important papers
- Give consent in advance for your doctor, lawyer and any financial advisors to talk with your caregivers as needed

aPlace forMom.

3: UNDERSTAND YOUR INSURANCE

MEDICARE VS. LONG-TERM CARE INSURANCE

Many people incorrectly assume that Medicare will pay for long-term care. However, Medicare pays only for skilled services provided by medical professionals. One of the best ways to pay for senior care expenses revolves around long-term care insurance policies. Generally, long-term care insurance offers coverage for in-home care or assisted living, independent living or memory care in a senior living community. Long-term care insurance may also cover adult day care or hospice care. Most polices also include coverage for a case manager or care coordinator. A few policies will even pay a family caregiver for in-home care. Premiums may be tax-deductible, and benefits from tax-qualified plans are non-taxable, making this option even more attractive.

Yet the high cost of long-term care insurance may make some seniors wary, especially given the hefty premium increases some insurers have levied on existing policies in recent years. For those worried about losing their investment if they never need long-term care, new financial vehicles like a hybrid long-term care/life insurance policy or long-term care annuities make sense.

In recent years, "hybrid" policies, life insurance policies with long-term care benefits and riders packaged in, have grown in popularity. With a hybrid policy, the insurance company can lock in the premium so your rate never goes up as long as you pay the premium. One advantage of a hybrid policy is that even if you never need to use the long-term coverage, you have other living benefits for illness, in addition to the life insurance death benefit.

Many factors come into play when choosing a specific policy, from deductible amount to potential overlaps with private insurance or Medicare. Seniors may find it helpful to consult a long-term care advisor or to educate themselves carefully before buying.

USING LIFE INSURANCE TO FUND LONG-TERM CARE

Many seniors have funds invested in a life insurance policy but need ready money once there's a change in a health status or a living situation. There are several options for using life insurance as a source of funds, including cash surrender, death benefit loans, accelerated death benefits and life or viatical settlements. Choosing a method of accessing these funds requires careful consideration of a senior's life circumstances as well as the tax consequences.

Before you figure out whether your life insurance can help pay for long-term care, you need to understand what kind of policy you own.

Here is an overview of different kinds of life insurance policies:

- Hybrid life insurance has long-term care benefits packaged into the premium. Along with the life insurance death benefit, hybrid policies also include long-term care insurance coverage or living benefits for cancer, strokes or illnesses not covered by long-term care insurance.
- Term life insurance accumulates no cash value. The policyholder has a choice to renew or end coverage when the term expires.
- Universal life insurance also builds cash value but offers a more flexible way to build savings. Premiums fluctuate, depending on your needs.
- Whole life insurance has a death benefit but also contains a savings component. Part of the premiums go toward savings so you can accumulate cash value.

INSURANCE OPTIONS FOR LONG-TERM CARE

A life settlement is when you sell your life insurance policy to a third party for market value and use the proceeds to fund a long-term care benefit plan. Any type of life insurance—permanent with cash value, group insurance offered through an employer, even term life—can be used. However, most companies specializing in these transactions require a minimum of $50,000 in a death benefit.

When you surrender the policy for cash value, the insurance company will pay you the full amount of your policy's cash value. However, you're giving up ownership and the death benefit.

Death benefit loans, also known as life insurance loans or policy loans, borrow from a life insurance policy's cash value. These loans have low interest rates and no repayment schedule, but if they aren't repaid with accrued interest after the policy-holder's death, the death benefit will be reduced by the amount of the outstanding loan. Death benefit loans come in a lump sum that can be used for any purpose.

Accelerated death benefit, an option reserved for the terminally ill, allows a policyholder to receive a portion of a policy's death benefits before their death. The policy beneficiaries still receive a death benefit, but it's reduced by the amount of the accelerated death benefit. Policyholders receiving the accelerated death benefit must still make their premium payments. Unlike a life settlement or a death benefit loan, accelerated death benefits do not need to be repaid. This option is reserved for the terminally ill.

Note that the cash from a life settlement or accelerated death benefit may change a senior's financial status, making him or her ineligible for Medicaid or Supplemental Social Security. There are also tax implications to consider. The difference between the premiums paid and the cash settlement are taxed as capital gains, though some deductions may be available if the cash is used to pay-for long-term care. Consult a tax professional to understand all tax implications of a settlement.

Wondering when to use which option? A cash surrender is typically best for policies with a substantial cash value, while life settlements make most sense for policies with little or no cash value. Death benefit loans and accelerated death benefits are for those who wish to preserve benefits for their survivors and who are financially able to continue paying premiums. If you do decide to go for a life settlement, it's well worth your while to pay for the services of a reputable licensed broker who can help make sure you get a fair price for your policy.

Both cash surrenders and life settlements are a viable option in several circumstances, especially when the policy holder is having trouble paying the premiums and is in danger of having their policy lapse. They are also a good idea if the policy holder has outlived his or her beneficiaries or in the event of a severe liquidity crisis. But these settlements have high transaction costs, tax implications and troubling privacy considerations.

Points to consider carefully when considering any sale of a life insurance policy include:

- The impact on survivors
- How debts or medical expenses incurred by the policy-holder's death will be paid
- If short-term access to ready money is worth losing the tax-free death benefits
- If the policyholder recovers and their insurance is gone, then they may not be insurable

Make sure you consult a qualified life insurance or financial adviser before making any decisions about using your life insurance policy to fund long-term care.

4: BRIDGE THE FINANCIAL GAP

BRIDGE LOANS

Traditionally, Americans' most valuable asset is their home. However, that capital may not be immediately available when the time comes to make the move to a higher level of care. How should you unlock the cash that's been so carefully invested over the years?

In the short term, at least, an Elderlife Bridge Loan is one answer. A bridge loan is a short-term loan used to pay for a move to independent or assisted living, skilled nursing or memory care while you're liquidating assets or waiting for your home to sell.

With its rapid turnaround time, this loan can be especially useful when dealing with urgent needs that must be met before other long-term financial resources can be tapped.

The Elderlife Bridge Loan is unique in that up to six family members or support persons can apply, sharing the financial responsibilities for one senior's care. Multiple applicants also make this loan easier to secure by sharing the financial risk (and the danger that an individual applicant's credit score won't be high enough for this unsecured loan).

For more information, call Elderlife Financial Services at 855-306-8516 or visit www.elderlifefinancial.com.

 # 5: CONSIDER A REVERSE MORTGAGE

TAPPING INTO HOME EQUITY

A reverse mortgage allows homeowners age 62 and over to borrow against a portion of their home's equity to supplement their income while keeping the title to their home. The borrower receives money, either in a lump sum or as they need it, from the lender instead of making payments.

Nearly all reverse mortgages are Home Equity Conversion Mortgages (HECM), which are insured by the Federal Housing Administration (FHA) and backed by the U.S. Department of Housing and Urban Development (HUD). This guide focuses on the HECM reverse mortgage.

To qualify for a HECM, you must:

- Be at least 62 years old
- Have enough money to pay ongoing property taxes and insurance
- Own your home outright or have a low mortgage balance that can be paid off at closing with proceeds from the reverse loan
- Reside in the home as the primary residence

A decade ago, almost anyone could get a reverse mortgage, which resulted in widespread foreclosures due to unpaid insurance or property taxes. Nowadays, you're required to meet with a counselor from an independent, government-approved housing counseling agency before you can even apply for a HECM.

Lenders must also perform a financial assessment on your ability to meet the loan obligations. How much you can borrow is based on your age, the interest rate and your home's value. Typically, you're allowed to take up to 60% of your initial principal limit in the first year. The money you receive is tax-free.

There are four ways to receive money from a reverse mortgage.

1. Line of credit: Allows you to draw on loan proceeds at any time in an amount you choose until you use up the line of credit.
2. Single disbursement: Only available with a fixed-rate loan and typically offers less money than other HECM options.
3. Tenure: Fixed, monthly cash advances for as long as you live in your home.
4. Term: Fixed, monthly cash advances for a specific period.

You or your estate must pay off the loan when the borrower:

- Allows the home to fall into disrepair
- Fails to pay property taxes, insurance premiums, condo fees or other mandatory obligations and options to bring the loan current are exhausted
- Passes away
- Resides outside the primary residence for more than 12 consecutive months due to illness
- Sells the home or conveys the title to someone else

When the loan become due, HUD regulations allow the borrower or estate at least six months to sell the home to repay the loan. If a loan deficiency exists, the borrower is not held responsible for that amount, which is paid by the FHA and HUD.

Like any loan, reverse mortgages come with fees, commissions, closing costs and interest. Be sure to vet lenders and their terms thoroughly, since unscrupulous lenders may add punitive terms and fees. HUD-sponsored counseling agencies provide free or low-cost advice from an impartial source and will help you locate a FHA-approved, reputable lender. Visit the HUD website to find out more.

CH. 6: MAKE USE OF ALL THE TOOLS AVAILABLE

PLANNING FOR PEACE OF MIND

A little knowledge can go a long way when it comes to preparing for long-term care. No matter what financial route you choose, it's important to do your research, read the fine print and consult professionals when needed. Get creative and combine as many resources as you can. Planning means peace of mind, for seniors and for their families.

It's a good idea to have all of the following information easily accessible:

- Sources of income and assets
- Information about insurance policies, bank accounts, deeds, investments and other valuables
- Social Security and Medicare information
- Investment income and stock brokers' names and addresses
- Insurance information with policy numbers and agents' names
- Name of your bank and bank account numbers
- Location of safe deposit boxes
- Copy of most recent income tax return
- Copy of your will
- Liabilities – what you owe to whom, and when payments are due
- Mortgages and debts
- Location of deed of trust and car title
- Credit card and charge account names and numbers
- Property tax information
- Location of all personal items such as jewelry and family treasures

Have more questions about financing senior care? Our Planning & Advice portal offers tools and information for families about paying for senior care.

Check out these other helpful resources:

Essential Document Locator Checklist

Ask an Expert: Finance

How to Finance (Ask an Advisor video series)

Call us today! (888) 727-9965. We are here to help answer your questions about senior care.