Op-Ed

Don't let your children inherit your nursing home bill

By John Carter, President and Chief Operating Officer of Nationwide Retirement Plans Nationwide Financial

Not planning for long-term care (LTC) expenses in retirement can easily deplete funds Boomers had intended to leave their children. In fact, depending on where you live, your kids could even be liable for your unpaid nursing home bills.

If you didn't know that, you are not alone. Alarmingly, more than three in five of Boomers we asked in a Nationwide Financial survey say they do not believe that state laws can force children to pay their parents' unpaid nursing home bills. However, 29 states currently have laws that could make a patient's children responsible for unpaid LTC bills.

Pennsylvania and New Jersey have been the most aggressive in enforcing its filial laws. Last month, the Pennsylvania Supreme Court upheld a child's liability for his parent's nursing home care. The court ruled that John Pittas was stuck with his mother's $93,000 nursing home bill (HCRA v. Pittas). Eldercare attorneys say while many states currently don't enforce their filial laws, the increasing cost of healthcare may soon have additional states considering doing so.

A parent's legacy to his or her children used to include leaving behind an inheritance. However, our Harris Interactive poll that surveyed 813 Americans age 50 or older with at least $150,000 in income or investable assets revealed that the escalating costs of healthcare and lack of proper planning have many Americans hoping just to break even and not be a burden to their children.

Concern but no planning for LTC

Seven in 10 Boomers nearing retirement say their biggest concern when planning for retirement is paying for long-term care, yet fewer than one in four have talked to their financial advisor about it.

Approximately four in five say that they do not expect their children to support them in retirement – including providing physical care and financial support, and letting them live in their homes. However, nearly one in four say they are not planning at all for LTC expenses.

Starting difficult discussions

While nearly half of respondents have discussed LTC costs with their spouse, only 10 percent have discussed it with their children and only six percent with their parents. Respondents indicated that they find it difficult to discuss LTC, most noting that the topic is depressing.

Though it's difficult to start these conversations about seemingly somber topics, families and advisors need to put the difficult conversation in perspective by thinking about the future and how a conversation now can make a situation easier down the road.

Most Americans are in denial that they will ever need nursing home care, so they never plan for LTC costs. However, the U.S. Department of Health and Human Services estimates that 70 percent of those over age 65 will need LTC during their lifetime. The average cost per year for a nursing home is projected to be $265,000 by 2030 – and that is not for a private room.[1]

Make a plan

It is important to start discussing LTC planning as a family and develop a well thought out plan so that parents and children understand where LTC funding will come from and both parties feel secure in the approach. Proper retirement planning should include some type of LTC insurance protection that can provide funds for someone should they have LTC expenses.

Only one in four Boomers we surveyed say they currently own LTC insurance, however industry figures show that only 11 percent of people over 55 actually do. Others say they plan to cover the costs with their 401(k) or retirement savings (22 percent) or their personal savings (21 percent).

The most commonly known long-term planning choice is the traditional stand-alone LTC policy. While it is very customizable, some people don't like the "use it or lose it" nature of these products. There are also some innovative products available – including a LTC rider that can be added to life insurance coverage when purchased.

With a life insurance/LTC rider combo, the death benefit is available to be accelerated, while living, for LTC expenses. However, in the event no LTC is needed, the insured has a death benefit to leave to heirs.

The children of Boomers are likely to have their own retirement challenges. Parents who don't plan for LTC expenses in retirement are taking a big gamble and potentially risk turning their children's inheritance into a nursing home bill.

[1] Life and Health Advisor, "Don't Let Your Clients Get Blindsided By Unexpected LTC Costs," 2010