

Chronic Illness: An Issue All Planners Must Consider

*William R. Borton, CLU[®], RHU[®], REBC[®]
and Martin M. Shenkman, Esq.*

Introduction

All advisors are aware that the population is aging. For many, aging means an increase in chronic illnesses and other health-related issues. Clients living with chronic illness will likely need more extensive services from their advisors. This article collects statistics to give practitioners a sense of how aging and chronic illness will continue to change not just estate planning, but so many other services affected clients and their families will need. While there are many ways to illustrate the impact, reviewing key statistics may perhaps be the best way to drive home the point. The bottom line is that practitioners will have opportunities for:

- Providing accounting and ancillary services (such as write-up, investment, and family office functions) to the agents, like a successor trustee under an aging or incapacitated clients' power of attorney.
- Assisting aging clients in protecting themselves against elder financial abuse and identity theft.
- Forensic engagements if an elderly client is victimized.
- Budgeting, financial planning, and investment management to help assure that aging clients will have sufficient resources to fund their living expenses for the duration of their life. Investment planning may be a service provided by the practitioner directly or the practitioner may consult with the client about services provided by others.
- Tax compliance with what will likely be an increasing number of trusts used to protect aging clients.
- Structuring or negotiating charitable donor agreements for aging clients pursuing charitable giving in a more active manner than historically had occurred in the past (and perhaps an increasing component of that to charities that serve those with the chronic illnesses discussed below).

Partners, and perhaps more so, retired partners, of professional practice firms will increasingly be called upon to serve in fiduciary and similar roles in client trusts. For example, a growing position in many revocable and irrevocable trusts is a person serving as a trust protector who is empowered to perform certain specific tasks such as removing and replacing a trustee, demanding an accounting, changing situs and governing law of the trust, and so forth. A retired partner from a CPA firm, who has decades of history representing a family, may be the ideal candidate in terms of knowledge, expertise, and objectivity. This could provide

a valuable service to a client, challenging post-retirement part-time work, and an ongoing referral of more new work to the former practice.

Understanding the Impact of Chronic Illness – The Statistics

Practitioners need to understand how prevalent chronic illness really is and how the aging of the population will make planning for clients living with chronic disease increasingly more common. Informed practitioners will better understand why practice modifications, developing new service offerings, and more, are essential.

- Chronic conditions represent the single largest threat to health in America. According to the Center for Disease Control's (CDC) latest statistics, roughly half of all adults suffer from at least one chronic disease, with a quarter of all adults suffering from two or more.¹
- By 2025, chronic diseases will affect an estimated 164 million Americans – nearly half (49 percent) of the population.²
- Seventy percent of seniors will need long-term service and support because of physical or cognitive impairment. The average length of time a senior adult will need assistance with activities of daily living (bathing, eating, dressing, etc.) is 3 years. People who need long-term care will more than double by the year 2050 (from 12 million in 2010 to 27 million in 2050).³
- Research estimates about 15 percent of Americans over age 70 suffer from dementia, a condition that includes Alzheimer's disease. The number of seniors with Alzheimer's disease is projected to triple by 2050, afflicting as many as 14 million in the United States.⁴

Caregiver Statistics

There is a critical “flip-side” to the significant number of aging clients that are, and will, be living with chronic illness. Many of those living with chronic illness, especially as their disease progresses and as they age, will need assistance of varying degrees.

- Eighty-five percent of caregivers provide care to a relative or friend.⁵
- It has been estimated that the value of care delivered by unpaid caregivers is nearly \$470 billion.⁶
- Seventy percent of caregivers have suffered work-related difficulties due to their caregiving duties.⁷
- The average amount of income that caregivers will lose due to time demands of providing care for those with Alzheimer's or other dementias is \$15,000.⁸

Planning Implications

These statistics have profound implications for practitioners and the range of services that will be needed in the future as the demand for caregiving continues to multiply.

When a family member provides caregiving services they may expect an additional inheritance, or if not, the family member they are assisting may wish to give them a greater bequest. Such situations are fraught with potential conflicts, such as will challenges. Practitioners can help avoid or at least minimize the potential impact of these risks by:

- Guiding clients to retain counsel to properly draft wills or other documents making these bequests.
- Documenting in meeting notes the client's intent and the rationale for it.
- Encouraging the client to permit to the periodic review of the title to all assets (e.g., bank accounts, deeds to homes, and retirement accounts) to make sure that title and beneficiary designations are consistent with the plan.

The financial impact on caregivers is substantial, as the above statistics suggest. If the caregiver is not a spouse, how will he or she be compensated? What are the tax implications (income, estate, inheritance)? Even if the caregiver is a spouse, what if it is a second or later marriage and the ill spouse intends to leave significant bequests to children of a prior marriage. In that situation, the caregiver-spouse's loss of income may create a real hardship. The key point is that every situation is different. Too often clients, especially ill clients, do not realize the economic consequences of caregiving, and if the independent practitioner does not provide guidance significant hardships could occur.

Genworth Survey

An extensive survey of people with health challenges was conducted. The study included 822 people providing long-term care (LTC) to loved ones (caregivers), 281 care recipients, and 97 family members with detailed knowledge of a long-term care event in their family (but not responsible for providing care).⁹

Survey respondents said that they appreciated the opportunity to care for their loved one and were proud to be able to do so. In fact, 83 percent of caregivers experienced some positive feelings. However, their personal health and well-being are often negatively affected, and the stresses of the situation can impact their relationships with family and friends.

- 60 percent of caregivers are between 25-54.
- Caregivers are evenly split between men and women.
- 52 percent are more likely to be the adult child of the care recipient.

- 24 percent are other family members.
- 55 percent of caregivers did not feel qualified to provide physical care.
- 43 percent of caregivers said the long-term care event negatively affected their personal health and well-being.
- 77 percent of caregivers indicated that they had missed work to provide care for a loved one.
- 59 percent of caregivers and 49 percent of care recipients who had LTC insurance reported feeling significantly less stress than those who did not own LTC insurance.
- 47 percent of caregivers of recipients who had LTC insurance felt much better prepared to deal with the situation.

Planning Implications

What financial assistance might be necessary or advisable to provide to the caregiver? Has anyone done a financial plan for the caregiver? Without real analysis, how can the client/patient know what type of assistance or bequests to make? If the practitioner can document the financial cost to the caregiver, that information might mitigate how other heirs view a special bequest to the caregiver as being unfair.

While the above data suggests that long-term care insurance might be useful, have clients that are candidates been evaluated for it? For those that are not candidates, the need cannot be ignored and if self-insuring is the only viable option, practitioners should be certain that is factored into the client's estate and financial plan. For some clients, when neither LTC nor self-insurance is viable, practitioners might need to suggest that such a client consult with a Medicaid planning attorney.

AP-NORC Center Statistics¹⁰

Another study provides interesting insights into aging, chronic illness, health care costs, and the manner in which practitioners might respond:

- While older Americans' confidence in their financial preparedness for long-term care remains low overall (36 percent in 2016), there has been a slight increase in public confidence over the past four years consistent with other measures of consumer confidence post-recession.
- When it comes to covering long-term care costs, older Americans with annual household incomes less than \$50,000 are more likely to expect to rely on government programs such as Social Security, Medicare, and Medicaid, while those with higher incomes expect to rely more on their personal savings to pay for their care. Still, 3 in 10 of these wealthier older Americans

report that they will rely on Medicare to support their care as they age. This reflects common misperceptions among older Americans about the long-term care services that Medicare covers.

- Most Americans age 40 and older (77 percent) would prefer to receive care in their own home. Among those who prefer to receive care in a home setting, there are gender differences in preferences for who provide that care: men would prefer to receive care from a spouse (51 percent vs. 33 percent), and women would prefer to receive care from their children (14 percent vs. 35 percent).
- As in prior years, long-term care insurance coverage remains low among older Americans, with just 13 percent reporting they are very sure they have this type of private insurance. Among those who do not have long-term care insurance, just 23 percent say they have looked into purchasing long-term care insurance.
- Forty-three percent have either past or current experience providing long-term care to a family member or close friend. Among those with experience as caregivers, 4 in 10 report having to miss work to provide long-term care to a loved one.
- Additionally, those with prior long-term care experience express higher levels of concern about aging and are also more likely to anticipate that it is at least somewhat likely that a loved one will need care in the next five years compared to those without experience.
- One-third of respondents say they have done no planning at all for their own long-term care needs.
- The median annual nursing-home cost in 2017 is \$85,775 for a semi-private room and \$97,455 for a private room. The five-year annual inflation rate in nursing-home costs for a private room is a staggering 3% for semi-private rooms and 4% for private rooms.¹¹

Planning Implications

Planning for aging generally has simply not been sufficiently addressed by the vast majority of Americans. Practitioners need to include this topic in discussions with all clients from at least age 50 onward. Newsletters and other client communication tools should be used to educate clients on steps that should be taken.

With such a preponderance of clients wishing to stay in their homes, budgeting for and planning for home modifications to make homes safe and accessible to aging clients is vital. In many cases, clients should evaluate which home they wish to stay in. For example, if the clients live in a large colonial it might be safer, easier to manage and less costly to move to a smaller ranch home before making accessibility improvements.

Conclusion

As the population ages, the incidence of chronic disease will grow. Practitioners should endeavor to broaden the conversations with clients well before retirement age to

begin addressing the wide range of issues and challenges these clients will face. As clients age, addressing long-term care, care costs, home decisions, elder financial abuse and a range of other issues will become even more important.

FOOTNOTES

- ¹ Kenneth Thorpe, Opinion, *Turn the Page on Chronic Disease*, U.S. NEWS AND WORLD REPORT, Feb. 4, 2016.
- ² Partnership for Solutions, *Chronic Conditions: Making the Case for Ongoing Care*. September 2004 Update. Available at: <https://www.rwjf.org/en/library/research/2004/09/chronic-conditions-.html>. Accessed on April 17, 2007.
- ³ Visualizing Health Policy, Kaiser Family Foundation. August 28, 2013. Volume 310, Number 8.
- ⁴ Rand Corporation, *Improving Dementia Long-Term Care: A Policy Blueprint*, <http://www.rand.org>, Provided by RAND Corporation.
- ⁵ The Family Caregiver Alliance, *Caregiver Statistics: Demographics*, available at <https://www.caregiver.org/caregiver-statistics-demographics>
- ⁶ AARP, *Valuing the Invaluable: 2015 Update*, July 2015, available at <https://www.aarp.org/content/dam/aarp/ppi/2015/valuing-the-invaluable-2015-update-new.pdf>.
- ⁷ The Family Caregiver Alliance, *Caregiver Statistics: Work and Caregiving*, available at <https://www.caregiver.org/caregiver-statistics-work-and-caregiving>.
- ⁸ The Alzheimer's Association, *2016 Alzheimer's Facts and Figures*, Nov. 2015, available at https://www.alz.org/documents_custom/2016-facts-and-figures.pdf.
- ⁹ Genworth, *2015 Beyond Dollars*, Jan. 2016, available at <https://pro.genworth.com/riiproweb/productinfo/pdf/157453C.pdf>.
- ¹⁰ The Associated Press-NORC Center for Public Affairs Research, *2016 Long-Term Care in American: Expectations and Preferences for Care and Caregiving*, May 2016, available at http://www.longtermcarepoll.org/PDFs/LTC%202016/AP-NORC%20Long%20Term%20Care_2016.pdf.
- ¹¹ Genworth, *2017 Cost of Care Survey*, June 2017, available at <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>.



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