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REPORT:

The **COST** of Living at Home

A financial case study of the real costs of aging at home



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AGING AT HOME IS FREE, RIGHT?

By Pat M. Irwin

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Graham, 80, and his wife Ethel, 78, still live in the Willowdale, Toronto, home they purchased new in 1961. Over the years the neighbourhood has changed, and so have they. Graham is likely to fail his driving exam next month due to macular degeneration, and they both have health issues. However, they're managing fine, and when their out-of-town kids suggest looking into retirement residences, Graham says, "Living at home is free, so why would we move?"

But is aging at home really free?

THE FINANCIAL PICTURE

Graham and Ethel's income consists of government and private pensions plus Graham's investments.

INCOME SOURCE	AMOUNT
OAS (Old Age Pension for both Graham and Ethel)	\$1,050.00
CPP (Graham only)	\$ 960.00
Company pension (Graham only)	\$ 850.00
RRIF (Graham's RRSP that he converted when he was 71)	\$ 500.00
TOTAL MONTHLY INCOME	\$3,360.00

They might also investigate other sources of funds or subsidies, such as the Guaranteed Income Supplement (GIS), the Survivor's Pension or a disability allowance to cover Graham's eye-care costs.

Their home's value was appraised at \$400,000. If they wanted to consider a reverse mortgage to pay for some of the costs incurred by staying in their home, they could get up to 40 per cent of the market value, or \$160,000. Assuming five per cent commission and \$1,000 closing costs, selling the house could make almost \$380,000 available to invest at a conservative three per cent for an annual interest income of \$11,400 or \$950 per month.

For more information on additional sources of income such as the GIS, go to:
www.comfortlife.ca/2011



<http://www.comfortlife.ca/Government-sources-funds-seniors.php>

Red Oak Retirement Residence



CURRENT LIVING COSTS

Graham and Ethel have only a basic knowledge of what they spend each month, so they were asked to keep a record.



The Royale

These are certainly modest expenses for a couple. Income net of expenses is about \$1,000, a comfortable margin, but not if medical costs were to enter the picture.

Now, let's look at four possible scenarios for Graham and Ethel: staying home with community support, with agency care, with live-in care, and moving to a local retirement community.

ITEM	MONTHLY COST
Property tax	\$275.00
Repairs & maintenance—snow, lawn, repairs	\$144.00
Electricity	\$125.00
Gas	\$130.00
Water	\$15.00
Cable TV	\$25.00
Phone including long-distance	\$55.00
Groceries	\$500.00
Drug & department store	\$50.00
Liquor	\$100.00
Gas for car—3 fill-ups/month	\$120.00
Car expenses	\$60.00
Entertainment & gifts	\$50.00
Clothing	\$50.00
Sundry cash	\$400.00
Travel (1 trip/year to east coast)	\$250.00
TOTAL MONTHLY EXPENSES	\$2,349.00

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STAYING AT HOME CHECKLIST

Safety: Many seniors have not updated their homes in years, and usually without regard to safety. A full safety audit should be done from the front door through to the basement, focusing on good lighting; sturdy non-slip floor surfaces; updated and grounded wiring; reliable, energy-efficient appliances; grab bars and handrails; an accessible laundry area; an alarm system for home and/or personal alarm lanyards; and cordless phones.

Mobility support: Mobility support is essential for someone like Ethel, whose knee replacements make her fearful of walking. Staying mobile is vital for errands, exercise and general fitness.

Transportation assistance: Giving up driving is devastating, but transportation is essential for shopping, appointments and

social outings. Options include an account with a taxi company, support services like Home Instead (www.homeinstead.com), subsidized transit services like the Wheel-Trans in Toronto (www3.ttc.ca/Wheel-Trans/index.jsp) or volunteer drivers.

Nutrition support: Meals on Wheels has undergone many changes in recent years, and meals can now be purchased to suit a variety of cuisines and dietary requirements. Dinners including soup, hot entrée and dessert can cost as little as \$5.

Personal care: Personal care refers to bathing, grooming, toileting and dressing. Ethel has difficulty getting into the bathtub and dislikes showers. Graham sometimes let his haircuts lapse, and since laundry is in the basement, clothing may be worn just a few more days before being washed!

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STAYING HOME WITH COMMUNITY SUPPORT

In this scenario, home safety must be addressed. It will require some one-time capital improvements in minor renovations for safety and access, and some basic safety equipment, which could include a stairlift, an armchair with an electric lifting seat to help Ethel get out of a seated position, or a “superpole” to help her get out of bed. Other items like commodes, shower benches and raised toilet seats cost less, but they still add up. This one-time investment cost is consistent with the usual estimate of one per cent of the home’s market value.

Graham is quoted \$73,000 per year: \$25 per hour for homemaking and personal support services or \$200 per eight-hour day, not including any overnight support. Carefully assess what services are actually needed. Graham and Ethel only need assistance with laundry, general tidying, and one bath a week for Ethel, and, ideally, Graham as well. A subsidized community service is used for homemaking, and assistance with bathing is provided through the local Community Care Access Centre and covered by the provincial health plan.

They also order two meals a day from Monday to Friday from Meals on Wheels. This halves their grocery bill and is arranged through the local community care agency. Sadly, Graham has to give up driving so they choose taxis for transportation. They also pay for a personal alarm system.

Graham and Ethel should be able to afford this approach on their current income for the next two to three years.

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Groceries	\$250.00
Drug & department store	\$50.00
Liquor	\$100.00
Entertainment & gifts	\$50.00
Clothing	\$50.00
Sundry cash	\$400.00
Travel (1 trip/year to east coast)	\$250.00
Taxis for errands and appointments	\$100.00
Personal Alarm System	\$45.00
Meals on Wheels	\$200.00
Home-making - 4 hours/week @ subsidized rate of \$15/hour	\$60.00
Assistance with bathing - covered by provincial health plan	\$0.00
TOTAL MONTHLY EXPENSES	\$2,324.00

2 STAYING HOME WITH AGENCY CARE

Ethel, nearly 80, has knee replacement surgery but falls and breaks a hip on the way to the basement laundry room. After two months in hospital and rehab, she and Graham face a very different scenario. During Ethel's hospital stay, Graham continued with the usual supports but began to neglect his personal care and became depressed and increasingly forgetful.

The community care agency decides that Ethel and Graham need more help, so assistance with showers is increased and Ethel receives a total of two hours per day of personal care, as well as a weekly physiotherapy visit. Graham also needs help with personal care, cueing to prepare breakfast and microwave the frozen Meals on Wheels entrées, assistance on errands beyond what a taxi driver can provide, and general companionship.

An eldercare consultant suggests that a permanent part-time personal support worker (PSW) should come in for a few half-days per week. She will provide morning personal care, prepare breakfast, do laundry and basic clean-

ing, heat and serve a hot lunch, check supplies and be sure Graham is clear about heating up dinner. She will also use their car to accompany them on errands. She will be hired from an agency so she will be more expensive, but the agency guarantees that she is bonded, insured and health and police-checked. She will also be automatically replaced if unavailable or ill and will be supported by an agency registered nurse for questions or concerns. All billing will be handled through the agency office at a rate of \$25 an hour.

These new care requirements include reinstating the car expenses and increasing the car insurance for a non-family driver, for a very different monthly cost and a challenge to their current monthly income of \$3,360.

To pay for the services of Cora, the new PSW, their son Peter looks into a reverse mortgage so that they can access the capital in the home. The payouts are tax-free, and Graham and Ethel need not begin repayments as long as they live in the house. However, they are leery of pledging the home they worked so hard to pay off. This is a major financial decision that they should discuss with a trusted financial adviser.

- If a reverse mortgage is chosen, the sum could then be used to purchase an annuity, which calculates monthly payouts based on actuarial estimates of longevity, to augment the monthly income.
- Assistance in municipal taxes may be available through the local revenue services department.
- The family should be sure that the disability and attendant-care tax credits have been applied for.



Royale Place Retirement Residence

3 STAYING HOME WITH LIVE-IN CARE

Graham, 82, demonstrates increasing signs of dementia and is reluctantly taking medication to help slow its progress; he is also on medication for high blood pressure. Ethel broke her hip several months ago and it never healed properly, which means she requires increasing doses of pain medication, and they have installed a stairlift to allow her access to the second-storey bedroom and bathroom. Medication is delivered pre-filled in a blister pack from the pharmacy, so their permanent part-time PSW Cora only needs to remind them to take their pills; sometimes when she arrives in the morning, the dinnertime and bedtime doses have not been taken. So far, they've managed to pay for these extra costs from a savings account Graham had kept in reserve.

Graham and Ethel clearly need more constant management of their daily care and household operations. Banking, bill paying, decisions about house and car expenses and any variance from the routine seem to overwhelm Graham, and his sons are becoming more involved.

The prospect of affording Cora for eight-hour days is daunting—from \$125 to \$200 a day—and Graham and Ethel's sons are concerned about their parents being home alone at night, given Graham's recent habit of nocturnal wandering. The cost of Cora's type of care around the clock would reach over \$200,000 per year, completely untenable for them.

Their sons suggest hiring a live-in assistant through the overseas Live-in Caregiver Program offered by Human Resources and Skills Development Canada (www.hrsdc.gc.ca/eng/home.shtml).

But the placement would cost \$3,000, payable to an agency, it would take up to four months to complete, and the caregiver's approximate salary for a 44-hour week would be \$1,954. On top of that, Graham and Ethel would also be her employers, responsible for her benefits and insurance.



Peninsula Retirement Residence



Red Oak Retirement Residence

LIVE-IN CAREGIVER



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The idea of a live-in caregiver sounds great, but this option comes with one big consideration: Graham and Ethel will be their caregiver's employer.

At a time when both of them are facing increasing health challenges, they must now supervise a live-in caregiver and manage all of the paperwork.

This includes keeping a record of their live-in's regular and overtime hours on a weekly or monthly basis. This information will be needed for the live-in's application for permanent residence.

Graham and Ethel must also pay for:

- **The \$3,000 placement cost.** (This is what they pay to the agency that finds the live-in caregiver).

It could take up to four months to process everything, including visa and immigration papers and health and criminal record checks.

- **Mandatory benefits for the live-in** including workplace safety insurance for the duration of their employment, and medical insurance coverage until he or she is eligible for provincial health insurance.
- **Transportation costs** to bring their live-in from his or her home country to Canada.

For more detailed information about the process go to:

www.comfortlife.ca/2011



<http://www.comfortlife.ca/hiring-live-in-caregiver.php>

COSTS

AT HOME WITH LIVE-IN CAREGIVER	RETIREMENT COMMUNITY
Paying for 44 hours of live-in support per week/days only (no assistance during the night).	Nurse on call 24/7. (included)
Transportation to doctor's appointments.	Weekly doctor visits on-site. (included)
<p>Weekly visits from a private caregiver who will:</p> <ul style="list-style-type: none"> • Direct the live-in's implementation of any treatment plans for Graham and Ethel • Make sure medication is taken • Make sure medical appointments are made and followed up on • Monitor any changes in Graham or Ethel's health 	<p>Care Package: On-site assistance with medication, morning and bedtime personal care and three baths a week. (extra)</p> <p>* They can purchase more help when they need it in a shared-care arrangement offered by the retirement residence so they don't need to hire a private caregiver.</p>
Meals on Wheels.	Three meals per day plus snacks. (included)
Household costs such as: Property taxes, utilities, food, maintenance, entertainment etc.	Graham and Ethel no longer have to pay for many of their regular household expenses because most are included.



<http://www.comfortlife.ca/Financing-your-retirement.php>



Royale Place Retirement Residence

4 MOVING TO A LOCAL RETIREMENT COMMUNITY

Ethel experiences shortness of breath, which results in a trip to the emergency department. She realizes that it is time to seriously look at retirement communities. If she had another episode, she might have to move to long term care and Graham would be left alone. Her son retains an eldercare consultant to assess their demographic, social, geographic and care needs, to revise their budget again, and to make a short list of retirement residences.

Based on selling the house for \$400,000 and assuming they earned three per cent on their house proceeds of net of five per cent commission of \$380,000, they would have \$11,400 a year, or \$950 a month, to augment their current cash flow. They would have a potential monthly

income of \$4,310, without touching the capital. Alternatively, the sum could be used to purchase an annuity to top up the monthly income.

Graham and Ethel are shown medium-range residences from three large retirement chains. For a one-bedroom suite of 400 square feet, three meals and snacks, all activities, a 24/7 nurse on call and weekly doctor visits, they are quoted \$4,800 for one person and \$750 for the second person sharing the suite. A “care package” of \$800 is quoted for Ethel to have assistance with medication, morning and bedtime personal care and three baths per week, for a total of \$6,350 per month.

A hefty monthly price tag, yes, but let’s compare it to Scenario III, staying home with a live-in caregiver, which would have given Graham and Ethel only 44 hours of support a week. At the retirement community, many services are included that they would have paid for had they stayed at home.

SUMMING UP

So, have Graham and Ethel “spent smart” to make the most of their money?

- In Scenario I, the couple was partially in denial of their health and lifestyle needs. They made minimal changes to their lifestyle, although accepting Meals on Wheels probably made the largest contribution to their health, making it very easy for them to eat healthy, balanced meals. It also opened the door to their accepting outside help.
- In Scenario II, hiring their permanent part-time personal support worker Cora was undoubtedly costly and making up the shortfall did deplete Graham’s savings. However, it allowed the couple to stay in their home, use their car and keep up the semblance of their usual life. This was an important phase in their transition to accepting help in their own “space,” especially for Ethel. When Ethel’s health and Graham’s dementia meant more hours of Cora’s support were needed, it would have been impossible to fund. In fact, their sons were planning to review the situation with them when Ethel was admitted to hospital with breathing problems.
- In Scenario III, having a live-in caregiver seemed financially affordable but would have required the services of a care manager to supervise and direct the care; a family cannot simply hand a caregiver the house keys and hope for the best! A care manager would ensure that medication was taken and medical appointments were made and followed up on, and she would also monitor changes in health conditions and direct the caregiver in

implementing treatment plans. A typical care manager would charge \$125 per hour and be needed at least one hour per week in this scenario.

- In Scenario IV, moving to a local retirement community, although Graham and Ethel are paying more per month than in any of the previous scenarios, they are saving on many expenses that are no longer required. They will also be able to acquire more care—at \$25 per hour, in 15-minute increments—when they need it in a shared-care arrangement offered by the retirement residence, rather than having to hire someone privately.

Staying at home while you age is a wonderful idea, but if it is to be an effective, safe alternative, it is not free. And it is often more costly than what you would pay in a retirement community. The key is for family members to discuss plans for retirement or long-term care well ahead of time. Having a practical and caring discussion early on is much better for everyone than having to make decisions in a hurry after a health crisis. As always, knowledge is power, so gather your information now to face the challenges of this wonderful chapter of life with confidence and success.

Visit www.comfortlife.ca/2011 for more information on financing your retirement.



Astoria Retirement Residence

ADDITIONAL RESOURCES

Additional sources of income for seniors :

www.comfortlife.ca/Government-sources-funds-seniors.php

Where to find help and support in Canada :

www.comfortlife.ca/seniorcareadvisor

Hiring a live-in-caregiver :

www.comfortlife.ca/hiring-live-in-caregiver.php

Financing your retirement :

www.comfortlife.ca/Financing-your-retirement.php

More eBooks:

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