The Unexpected Costs of Caring for an Aging Parent

Other than a spouse, the most common people to be tasked with caring for an elderly loved one are adult children. In fact, a study conducted by MetLife showed that 10 million adult children over age 50 were acting as a caregiver for their aging parent(s), a number that equals approximately a quarter of all Baby Boomers.

These caregivers are helping their loved ones with everything from running errands and meal preparation to dressing, bathing, and using the toilet. In certain cases, families are able to outsource some or all of these tasks to a paid caregiver; other families are unable to afford this option or believe it is there duty to care for their aging parents.

Many seniors hope to stay in their own home for as long as possible—a concept referred to as "aging in place." There's a common perception that this is the most cost-effective option for seniors, but the reality is that, depending on the level of care that a person needs as they age and if they develop health issues, staying in the home can become very costly to their grown children, in more ways than one.

The hard costs of caregiving

If you choose to take on an elderly parent's care (or have no other option), there are potentially many costs associated with becoming an unpaid caregiver. There is the emotional cost—caring for a sick or elderly person can be extremely stressful and mentally draining. There's also a physical cost–the strain on the body can leave you with sore muscles in additional to general exhaustion. But one of the sometimes-unforeseen costs of becoming a caregiver is the financial impact on the adult child.

When taking on the caregiver role, adult children often have to reduce their hours at work or even quit their job altogether, thus slashing their personal income. Add to that the loss of pension earnings and Social Security benefits, and according to the MetLife study, adult-child caregivers in the U.S. suffer an cumulative loss of nearly $3 trillion in earnings. For sons, the average in lost income is $283,716 per person. Daughters lose an average of $324,044 in earnings as a result of their caregiving responsibilities.

In addition to the hit to their income, caregivers may find themselves simultaneously taking on extra expenses. On average, family members serving as caregivers are spending nearly $7,000 of their own money each year on their loved one's expenses—helping cover the cost of things like medical bills, utilities, and food.

Jeopardizing your own retirement

Perhaps the biggest unforeseen cost that many adult children pay when they become an aging parent's caregiver is the hit to their retirement savings. That loss can come in two forms.

First, working less, making less money, and increasing expenses frequently means that the caregiver has little left over at the end of the month and is thus contributing less (or nothing) to their retirement savings account. This savings deficit often comes at an inopportune time. According to the Family Caregiver Alliance, the average age of an adult child serving as caregiver is 49.2. Many people anticipate bolstering their savings during their 50s, since they have perhaps paid off a large part of their house and gotten the kids through college.

The second way that caregiving can be detrimental to adult children's future retirement is that it is not uncommon for people to dip into their savings in order to pay those previously mentioned additional expenses—using their own nest egg dollars to compensate for their lost income and help pay for their parents' costs. This is an ill-advised decision, but some people have no other choice in order to make ends meet during this period of reduced or eliminated income and increased care expenses.

Funding aging parents' care

If you choose to become a caregiver to your aging parent (or have no other option), here are a few ways to manage their care and expenses while looking out for your own long-term financial security (and mental and physical health).

- Find out if there is a long-term care insurance policy, which may provide financial assistance for certain care services.
- Check to see if there are any government programs that your parent is eligible for, such as Medicaid, veteran's, or disability benefits.
- Look at your parents' expenses (as well as your own) and determine if there are simple cost-cutting opportunities such as a less expensive cable package or fewer meals out. Do anything you can to avoid dipping into your own retirement savings.
- Enlist the help of siblings or other family members, both financially and time-wise. No one person can care for another full-time with no breaks.
- Consider if it might be more cost-effective to hire a home care worker to assist your parent so that you can continue to work or can at least take less time off.