

Protecting Your Retirement and Other Financial Information for Family Caregivers: What Every Adult Child Should Know¹

Celia Ray Hayhoe², Virginia Polytechnic Institute and State University

Most caregiving is performed by family members. People wait until there is a crisis to plan for long-term care. It is important to plan ahead while the care receiver still has the capacity to sign legal documents and to involve all members of the family so that the care receiver's wishes are clearly understood. If it is necessary for the caregiver to leave work or reduce hours, plans need to be in place to protect the caregiver's retirement.

Key Words: Estate planning, family caregiving, family communication, long-term care, retirement planning

Target Audience

Family members who have left or are considering leaving the workforce, who are planning to reduce their hours to care for an elderly relative, or who care for a child or ailing spouse. This program works well with individuals, groups, caregiver support groups, employer sponsored seminars, and at pre-retirement seminars.

Objectives

The objectives of the program are: 1) to help families recognize the importance of planning early, 2) to assist family caregivers in protecting their retirement, 3) to help families learn the importance of gathering information in advance, 4) to include all family members in the discussions, 5) to help families identify options for meeting long-term care needs, and 6) to demonstrate some communication techniques for discussing difficult information.

Description

The program materials consist of: a) printed binder or a PDF file on the CD-Rom (the CD also includes a leader's guide, chapter PowerPoint presentations, interactive forms, and an evaluation sheet), b) a video which is designed to be viewed in segments with sections of the binder/CD, and c) a website with links to additional resources, <http://www.ahrm.vt.edu/familycaregivers.htm>. The complete program takes 4-12 hours to present to the target audience, depending on the depth of coverage.

The program covers the following six topics:
Understanding Your Starting Point. Caregivers start a notebook with the forms they create while going through these materials to create a record of the financial information they will need as a caregiver. Gathering data

provides information to assist in the decisions families need to make regarding the options open to them.

Why It's Essential to Plan Ahead. The need for care may happen at any age and for many reasons--natural aging, an accident, illness, etc. Since the care receiver may be unable to make legal decisions, preparing documents ahead of time in case of an emergency is essential if the care receiver wants a caregiver to perform their duties without court supervision.

Caregivers: Don't Forget Your Retirement. This chapter covers possible options for what can be done with **vested** retirement account balances if a caregiver leaves their current place of employment or cuts back to part-time. The material also covers ways to continue saving for retirement while being a family caregiver.

Alternative Caregiving Arrangements covers the various types of care services and the difference in the responsibilities of a caregiver. Some types of care may allow the caregiver to continue to work.

Paying for Care. Understanding long-term care insurance and the basic benefits of governmental programs may help families choose the most appropriate type of care. Having this information may also influence a family member's decision to become a caregiver.

Effective Communication is Essential. Effective communication between family members establishes a positive frame of mind from which to start family discussions on what can be an emotionally difficult subject. In addition to content, the companion video shows examples of helpful communication techniques.

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² 101 Wallace Hall (0410), Blacksburg, VA 24061, 540.231.3497, Fax 540.231.1697, chayhoe@vt.edu

Grandparents Raising Grandchildren-Direct and Indirect Costs

Bernadine Warwood¹, Student Assistance Foundation

This study utilizes the Grandparents Raising Grandchildren Qualitative Survey conducted in Montana to examine the direct and indirect costs faced by grandparents raising grandchildren. Three major issues come to the fore when considering the challenges facing grandparents raising their grandchildren: legal status, financial and emotional stressors. The paper examines public policies to address these issues and provides important advice to financial planners working with grandparents raising grandchildren.

Introduction

A growing population in the United States consists of grandparents who are facing the challenge of raising their grandchildren. In 2000, close to six million children were reported to live in households with their grandparents. This represents a nearly 30% increase over Census numbers from 1990 (U.S. Census, 2000). In addition, grandparent headed households have been the fastest growing type of household over that same ten year period (Bryson, 2001; Bullock, 2004). This is particularly true for Western states, which make up 14 of the top 20 states showing increases. Montana, for example, has reported a 53.8% growth in this type of household giving it a ninth place ranking in the nation (Conway, 2004).

While the idea of grandparents raising grandchildren is not a new one, the numbers who now find themselves part of this group is. Historically and culturally, grandparents have been involved in raising their grandchildren for decades. The increase in the number of grandparent-headed households redefines the relationship between family members and redraws the boundaries of family. This, in turn, redirects the transfer of resources within the family (Hirshhorn, 1998, p. 200). With the dynamics of family changes redefining the term "family," it is no wonder there is confusion of roles and increases in stress.

This paper will explore the statistics surrounding this trend and discuss not only the more obvious costs of raising a grandchild, designated as direct costs, but also the not-so-obvious or indirect costs. In addition, this paper will differentiate between grandparents providing full-time daycare for their grandchildren and those who are full-time parents. The grandparents who are full-time parents to their grandchildren will be the major focus of this discussion. From a societal standpoint, this issue raises important concerns but the focus of this paper is directed towards financial planners and

counselors. This group needs to have an awareness of the issues faced by these families in order to better meet their needs. Finally, an offering of possible solutions will be presented. The abbreviation of GRG will be used to replace the unwieldy phrase "grandparents raising grandchildren" where appropriate.

Review of Literature

The population of grandparents who provide care for their grandchildren but do not live in the home with them is also increasing. Currently, over 43% of grandmothers help provide care for their grandchildren. Two of the reasons this number is increasing: an increase in the number of women working outside the home and an increase in health and longevity of older adults (Baydar & Brooks-Gunn, 1998). This is an important social change in the population. However, it does not have the same profound impact as the issue of GRG does and will not be considered further in this paper. From the 1990's to the present, there has been an explosion of research across a variety of disciplines (Grinstead, Leder, Jensen, & Bond, 2003). This review of the literature will be divided into two major sections: direct costs with special emphasis on insurance, legal status, retirement, and general financial costs; and indirect costs with special emphasis on depression, marital dissatisfaction, and social isolation.

Direct Costs

Insurance

Insurance coverage in households is an ongoing political topic and one that touches grandparent headed households as well. Statistically, grandchildren in grandparent/no parent households are most likely to be uninsured (Casper & Bryson, 1998). Indeed, in her comparison of expenditures of households on health insurance, Sharpe (2004) found it noteworthy that grandchild resident households spent significantly more on health insurance and prescription drugs. Other

¹ 900 Doane Rd, Bozeman, MT 59718, 406.581.1306, Bwarwood@safmt.org

barriers include a lack of legal status that may prohibit a grandparent from including their resident grandchild on their employer provided insurance, as well as incomes too high to qualify for public health insurance (Casper & Bryson, 1998). In some instances grandparents on fixed incomes had to choose between health maintenance visits for their grandchild versus purchasing their own medication, or buying food for the family (Bullock, 2004). Additionally, Bullock (2004) found that grandparents living in rural areas where transportation is not easily accessible find getting a child to a physician to be demanding. Statistics show that 27% percent of grandchildren residing with their grandparents are not covered by health insurance (Brintnall-Peterson & Targ, 2005).

Legal Status

Legal status is a vital issue which affects every other issue grandparents face when raising their grandchildren. For purposes of this discussion, legal status is broken into three types: informal custody, formal custody (either custody or guardianship), and adoption. Grandparent caregivers without a legal relationship lack the legal authority to enact a parental role and face barriers in parental role enactment. This is especially true when trying to enroll children in school or to access medical care and other social services (Wallace, 2001). According to National and Ohio data, the vast majority of grandparent caregivers have an informal (i.e. nonlegal) custodial relationship (Downey, 1998). Although it may seem unnecessary to pay for what amounts to a piece of paper, that legal paper can help GRGs keep their grandchildren safe from problem parents if they have legal custody (Takas, 1998). Voluntary legal custody requires permission from the custodial parent, which can be difficult to obtain from an adult child who is unwilling to consent. The request might also intensify ongoing conflict with an adult child (Waldrop & Weber, 2001). Grandparents have been surprised to find that judges do not automatically grant them custody. Their first encounter with the legal system served as a wake-up call and enabled them to successfully establish custody once they obtained important information (Waldrop & Weber, 2001). Waldrop and Weber also found that establishing stability for the child becomes difficult at best and keeps anxiety and uncertainty high. For grandparents who choose not to seek formal custody, failing to take the legal steps necessary to obtain legal rights means grandparents may be settling for rock-bottom TANF rates rather than gaining eligibility for kinship-care payments which can be two or three times higher than the TANF funds available (Minkler, 1999).

Grandparents with legal custody may also benefit in a

couple of ways regarding taxes. With legal custody, grandparents may claim their grandchild as a dependent on their tax forms, receive deductions for child care expenses, and could also qualify for Earned Income Tax Credit and the Child Tax Credit if they are employed (Conway, 2004).

Retirement

While most participants in the workforce look forward to the day they can retire, for GRGs, retirement becomes a difficult issue. For those already retired, reality is that they return to work because they cannot afford to raise their grandchildren on fixed incomes (Conway & Bailey, 2004).

Research regarding age norms and expectations indicate that individuals create “mental maps” about the timing of experiences and roles that lie ahead in life. These mental maps facilitate goal setting and preparing for changes in life, such as reaching retirement age ready financially and mentally to leave the workplace (Settersten & Hagestad, 1996a; 1996b). From this perspective, it is easy to understand why “off-timed” events such as parenting a grandchild when child-rearing duties were thought to be over can generate distress and difficulties.

The financial demands of raising a grandchild leave younger grandparents in the midst of their prime earning years, struggling to save for their own retirement. Older grandparents face the prospect of covering increased expenses on a fixed income (Sharpe, 2004). Some grandparents even find themselves using retirement benefits as one financial resource to help manage the additional cost of caring for their grandchildren. (Brintall-Peterson & Targ, 2005). Many grandmothers give up working outside the home to raise a grandchild, losing income and other work benefits, such as contributing to a retirement account (Hayslip & Kaminski, 2005). With the majority of GRGs still in their working years, the full impact on saving for retirement may not be fully known.

General Financial Costs

Research has shown that one of the most important factors affecting economic well-being is family structure (Casper & Bryson, 1998). Casper and Bryson also found there were indications that children who live in grandparents’ homes do not fare as well economically as those who live in their parents’ homes. Some of this might be expected since grandparents tend to be older than parents and are often past their prime earning years. Becoming a parent again means re-entering a world of expenses that can include child care, after school programs, and sports, not to mention the basics such as

food and clothing (Conway & Bailey, 2004). With forty one percent of “skipped generation” families living in or near poverty (Chalfie, 1994), economic health may compound all of the other difficulties these families face. As one Michigan grandmother put it, “It seems like I can’t save anything. I don’t know when I bought my last outfit. Every time I turn around, she is growing” (Houtman, 2003, p. 133).

For younger grandparents, assuming the role of parent frequently means quitting a job, cutting back on hours or making other job related sacrifices that may put their own future economic well-being in jeopardy (Minkler and Roe, 1996). In fact the long-term financial consequences for younger grandparents who must leave the paid labor force prematurely in order to become full time caregivers can be particularly acute (Minkler & Fuller-Thomas, 2000).

High quality child care can be costly and difficult to find. For grandparents who have been out of work, chances are they will end up in lower paying jobs and trying to cover the cost of child care (AARP, 2004; Kirby & Kaneda, 2002). This underemployment occurs when grandparents attempt to reenter the job market but are unable to earn sufficient income either because they are deemed too old for a job or their skills are out of date (Waldrop & Weber, 2001). These issues can be particularly acute for grandparents on fixed incomes.

Medical costs, including eye and dental, are another area of financial burden for grandparents. This is particularly true for grandparents without legal custody of the grandchildren. Without legal custody, grandparents face difficulty accessing either services available or resources to help them cover the costs. For some grandparents there is a level of discomfort when it comes to accessing community resources with some feeling there is a stigma associated with receiving public assistance (Ehrle & Geen, 2002). Instead, grandparents attempt to manage the child’s health needs with out-of-pocket payments (Bullock, 2004).

Indirect Costs

Even though the rise in the number of grandparent-headed households has attracted the attention of the media, researchers, and public policy makers, very little research has focused specifically on the direct costs and the expenditure patterns of grandchild resident households (Sharpe, 2004). Research reveals that grandparents identify the absence of parental responsibility for their grandchildren as one of the most enjoyable aspects of grandparenting (Cherlin & Furstenberg, 1986). Indeed, grandparents want a role in the family that is limited to providing occasional care

and help for their grandchild or parenting advice to their adult children (Thomas, 1986a; 1986b).

Depression

One of the most ubiquitous indirect costs identified in most studies is the level of depression in grandparent headed households. Findings indicate that grandmothers living with and raising their grandchildren, regardless of age and cohort, are more likely than other mothers, to have higher levels of depression (Caputo, 2001). The combination of increasing work effort, while assuming requisite parenting responsibilities which often includes having the child’s mother in the household, is believed to be the reason for the higher risk (Caputo, 2001). Surveys reveal that the greatest level of grandparent satisfaction occurred where grandparents were providing part-time care for their grandchildren (Bowers & Myers, 1999). Indeed, full-time care giving grandmothers scored significantly lower on life satisfaction ratings versus any other type of grandmother. Yet, the majority said they would take on the care of their grandchild again if they had to do it over (Bowers & Myers, 1999).

Marital dissatisfaction and social isolation

Grandparents find themselves living a different lifestyle than expected and feelings of social isolation may occur because their concerns and problems are different from their peers (Ehrle & Day, 1994). Indeed, grandparents raising their grandchildren find their friends in the “empty-nest” stage of life and their schedules and social life no longer match (Jendrek, 1993). Custodial grandparents were more likely to experience a decline in marital satisfaction than grandparents providing daycare or merely residing with grandchildren. Reasons included spousal jealousy about time spent with grandchildren, decreases in privacy and sexual activity, and more tension and arguing (Grinstead, Leder, Jensen & Bond, 2003).

Nearly half of the grandparent headed households who were married reported a change for the worse in their marital relationship after taking on the parental role for their grandchildren (Bowers & Meyers, 1999). Without the necessary social support and the increase in marital tension, it is understandable that there would be an increase in susceptibility to stress (Sands & Goldberg, 2000).

Relationship with adult child

For most grandparents, having their grandchildren thrust upon them was the result of some on-going problems they were having with their adult children. Most grandparents report feeling anger, resentment, guilt, and disappointment towards their adult children (Morrow-Kondos, 1993). They have had to cope with

