

# BMO Retirement Institute

## Connecting Insights

The BMO Retirement Institute searches for and selects the best of publicly available, world-class research on emerging and thought-provoking issues.

The Institute will explore a wide range of topics, from lifestyle to health to finance... and beyond, providing you with straightforward information and insights that you may find helpful, as you make decisions for the years ahead.

### Putting Caregiving into Focus: *Exploring the True Costs to Boomers*

Carol's life changed dramatically one day when she received a telephone call that her 91-year-old mother, Marylou, had fallen while taking out the garbage at her home and had been rushed to hospital with a broken hip. Following surgery to repair the hip, Marylou returned to her home for a lengthy period of rehabilitation, and Carol took on the responsibility of caring for her now-incapacitated mother.

"I was completely surprised how much caregiving for my mom impacted all areas of my life," says Carol, a 61-year-old editor, mother and grandmother. "I had to postpone trips to see my grandchildren; I had less time with my husband and found it challenging to meet work deadlines. I was very happy to be able to be there for my mother while she was recovering, but I just didn't realize how exhausting and demanding it would be."

Carol's experience is becoming increasingly commonplace for Canadian baby boomers as their parents, family members and other loved ones age. A 2006 census on eldercare by Statistics Canada indicates that about one-third of boomers currently provide some sort of assistance to an aging family member. Like Carol, many Canadians are thrown into the role of caregiver without warning, often unprepared for the emotional, social and financial impact that it can have on their lives and the lives of their families.

"You have nine months to prepare yourself to be a parent but often you don't have even nine minutes to prepare to become a caregiver," says Dr. Amy D'Aprix, author and Life Transition Consultant for BMO Financial Group.

### Caregiving Costs: The Reality

Caregiving can involve a very broad range of activities – everything from providing emotional support to running errands, providing transportation, preparing meals, assisting with bathing and dressing, or managing finances. Caregiving is actually far more common than most people realize, because many people don't even realize that they are caregivers.

"A caregiver is anyone who does anything at all that helps keep an older

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person independent or improves his or her quality of life,” says D’Aprix. “Many caregivers don’t identify themselves as such. But the adult child who lives far away and calls several times a week to offer emotional support to an aging parent is a caregiver. So is the son who takes care of his parent’s home repairs and yard work and the woman who checks each morning to see if her neighbour’s blinds have been opened so she knows her friend is awake and safe.”

The true cost of caring for aging family members is often underestimated because the salaries of professionals such as nurses, personal care workers and physicians are not taken into account.

In addition, the non-financial costs incurred by the family or friends who are acting as a main source of unpaid care and support are also often not considered or acknowledged. Caregivers are most likely to say they are caring for a family member because they feel it is a family responsibility or because they choose to be the one providing the care. Statistics Canada reports that 18.4 per cent of Canadians do some form of unpaid senior care, and the Commission on the Future of Health Care in Canada states that “informal caregivers play an essential role in the delivery of home care services in the health and care of their families and friends.”

A 2006 survey by TakingCare Inc. reveals that the cost for a studio room in a retirement residence can vary from \$13,140 to \$30,456 a year, depending on the location across the country, while the cost for a nursing home can range from \$17,630 to \$55,836.

### Average annual costs for long-term care in Canada\*

City	Retirement residences**	Retirement Home***	Nursing Home****
Vancouver	\$22,833.60	\$23,280.60	\$32,053.44
Edmonton	\$13,507.20	\$16,044.00	\$17,629.44
Regina	n/a	\$26,294.04	\$20,724.00
Winnipeg	n/a	\$15,720.00	\$23,580.00
Toronto	\$44,688.00	\$39,576.00	\$24,341.88
Montreal	\$13,140.00	\$16,020.00	\$18,838.92
Fredericton	n/a	\$22,224.00	\$55,836.00
Halifax	\$24,300.00	\$34,020.00	\$27,192.00
Charlottetown	n/a	\$27,364.20	\$50,883.48
St. John’s	\$30,456.00	\$35,400.00	\$33,600.00

\*Long-term care cost survey. TakingCare Inc. 2006

\*\*A long-term residence for independent seniors typically a high-rise building consisting of all or mostly self-contained suites offering services such as cleaning, laundry and some meals. An on-call nurse may be on staff but no daily nursing staff. Costs for studio room.

\*\*\*A long-term residential facility providing some personal services, such as laundry and meals, but no daily nursing care. Costs for private room.

\*\*\*\*A long-term residential facility providing both personal services and daily skilled nursing. Maximum cost for provincially subsidized private room (subsidization based on income and/or assets, varies by province). Non-subsidized rooms are more expensive.

It is also important to note that most Canadians already contribute to the cost of public nursing home care for the elderly as part of provincial tax programs. This enables provinces to have programs in place to ensure that anyone requiring nursing home care can receive it, regardless of their ability to pay. Access to nursing home care is managed via a single-entry system, meaning that all applicants are assessed and care is allocated based on the need for that level of service. Since the formula used to determine eligibility for government funding for nursing homes is not the same for all provinces, caregivers often spend considerable time learning about what's available for their loved ones, and may also be required to pay an additional subsidy.

## The “Other Costs” Explored

Besides direct financial costs, caregiving has many physical, social, emotional and employment implications.

Baby boomers have reported that caregiving impacts them financially and can have negative consequences for their careers. Caregivers often need to cut back on the number of hours they work, or quit work altogether, and can incur out-of-pocket expenses for drugs, medical supplies and other items. They report increasing personal debt, reducing contributions to their retirement savings plans and even delaying their own retirement because of the costs associated with caregiving.

A recent study by Evercare and the National Alliance for Caregiving (NAC) in the United States estimates that family caregivers incur more than \$5,000 U.S. a year in related expenses. The greatest percentage of costs is for medical expenses, followed by food, meals and household goods, travel expenses, services, nursing home and assisted living facilities, and home maintenance and repairs.

A 2002 Decima Research study found that caregivers in Canada spend anywhere from about \$1,000 to more than \$6,000 a year to look after a family member, as well as incurring other out-of-pocket expenses for transportation, non-prescription drugs, medical supplies, prescription medication, equipment and homemaking supplies.

Most informal providers of care are often still actively working. Statistics Canada reports show that about 70 per cent of Canadian caregivers aged 45 to 64 in 2002 were employed. Many of these were women, who have traditionally been the ones who have provided much of the caregiving in our society in the past. However, men have recently become much more involved in and active in care. According to Statistic Canada's 2006 census, 15.7 per cent of Canadian men did some form of unpaid senior care, up from 13.6 per cent a decade earlier. Despite the increasing role of men in caregiving, the impact on women caregivers is often still greater.

“Canadian baby boomers are feeling the squeeze of being the ‘Sandwich Generation’ and for many it’s beginning to compromise their lives,” says Caroline Dabu, Head of Retirement Market, BMO Financial Group. “Only seven per cent of boomers have asked for financial advice about budgeting and planning for the assistance they provide to their family members. The notion of factoring in costs for a family member’s care or their own care is not necessarily top of mind, but it should be.”

According to Research on Aging Policies and Practices (RAPP), from the University of Alberta, one in seven women had to reduce their hours of work to accommodate their caregiving duties, compared with one in ten men, and one-and-a-half more women than men caregivers have reported reduced income because of their unpaid care. In general, women are more likely to quit their jobs or reduce their work hours, decline a promotion or postpone educational opportunities because of their caregiving responsibilities.

The time and energy demands on a caregiver can be high and often result in increased levels of stress. These increasing levels of stress can lead to significant health problems, sleep deprivation, changes in sleep patterns, headaches, loss of energy, gastrointestinal disturbances and fatigue for the caregiver themselves. Caregiving responsibilities also can interfere with an individual’s ability to enjoy regular and quality social and recreational activities and have a negative effect on their overall enjoyment of life. This could also be coupled with psychological costs that include depression, guilt, worry, anxiety, loneliness and general emotional stress, strain and burden.

Caring for people with long-term health problems or physical limitations can cause caregivers, to become angry with the persons they are caring for, raising the risk of abuse. “Often, caregivers feel guilty because the competing pressures of a job and family do not allow them to do more,” states the RAPP report. “Many feel guilty because they do not have the essential skills to do a better job. The majority of eldercare providers also reported feeling guilty about the amount and quality of care they provided, wishing someone would take over their caring responsibilities.”

RAPP’s research has also uncovered gender differences in the physical, social and emotional aspects of caregiving, with more women than men caregivers experiencing negative consequences. One in five women caregivers felt their physical health was affected, compared with only one in fifteen men. More women than men changed social activities and holiday plans to accommodate caregiving. Twice as many women as men reported not having enough personal time, and one in five women felt moderately to extremely burdened by their caring responsibilities, compared with one in seven men.

“Women experience more health, social, emotional, employment-related and economic consequences because of their care work than men,” says Janet Fast, RAPP Co-Chair. “Such gender differences affirm the need for a gendered lens in developing policies and programs that better support men and women, family and friend caregivers and reduce their negative consequences. Additional research is needed to explore the attributes that place men and women caregivers at greatest risk.”

Businesses also pay a price for caregiving, as a result of employee absenteeism, workplace interruptions, lower productivity and the need to hire replacement workers. An NAC study for MetLife estimates that caregiving cost businesses in North America \$30 billion a year. There are some 14.4 million full- and part-time North American workers who are balancing work with caregiving. Full-time employees involved in the most intense level of caregiving cost employers about \$11.4 billion a year in lost productivity. This cost jumped to about \$30 billion when part-time employees are considered. According to the report, enlightened corporations are beginning to respond by providing support programs for their employees and by underwriting part or all of the costs associated with supportive care services.

## What Are the Benefits?

There are benefits to both the receiver and the giver of care, in the right circumstances. The elderly often receive an unquantifiable amount of joy and a greater appreciation for their caregiving children. Not knowing how much longer they have to live, the elderly will do as much as they can – even taking trips – to spend as much time with their children or other loved-ones as possible. It can also bring siblings together and help foster respect and admiration for those in the family who do the caregiving.

Despite the greater toll caregiving takes on women, RAPP also reported positive consequences, almost equally as often as for men. A similar proportion of men and women caregivers felt that caregiving allows them to give back what others had given to them, and that it strengthened their relationship with the person they cared for.

“Caregiving can be a real catalyst for positive change,” says D’Aprix. “Often, it helps people determine the priorities in their lives and see what is most important. It’s also an opportunity for the caregiver and the recipient to improve their relationship with one another.

While caregiving can take a big financial toll, both caregivers and care receivers may be able to claim expenses on their tax forms to help mitigate the costs.

Nursing home and attendant care costs can qualify as medical expenses, provided the patient qualifies for the disability tax credit, which must be certified by a doctor. There is a \$10,000 limit (\$20,000 in the year of death) on a medical expense claim for attendant care, but not for nursing home costs.

## Planning for the Unexpected

Because illness or death is often unexpected, planning is one of the greatest challenges of caregiving.

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“One of the advantages of planning in advance is that it helps you clarify your own thoughts on the end-of-life care that you would prefer and understand the help that is available from government and health care organizations and the assistance that the family will be called upon to provide,” says D’Aprix.

Some of the components of a good plan would include designating who the caregivers will be, defining what are the most important concerns and tasks, problem-solving with respect and patience, building in regular breaks and respite periods to prevent burnout, expecting changes and being ready for them, having backup people to help and offer alternative solutions to address issues in your situation.

“Financial planners will recommend that elderly relatives have their will up to date and powers of attorney in place for personal property and care,” adds D’Aprix. “They will also advise that you have contingency funds available if you expect to be called on to assist your relatives financially.”

Many boomers also face the added pressure of having to provide for children while also providing care for their aging parents. In many cases, however, they have not planned for this scenario before now.

“Canadian baby boomers are feeling the squeeze of being the ‘Sandwich Generation’ and for many it’s beginning to compromise their lives,” says Caroline Dabu, Head of Retirement Market, BMO Financial Group. “Only seven per cent of boomers have asked for financial advice about budgeting and planning for the assistance they provide to their family members. The notion of factoring in costs for a family member’s care or their own care is not necessarily top of mind, but it should be.”

Participating in the care of an elderly family member can provide the impetus to get your own affairs in order. If you are a caregiver, it’s important to look after yourself, because it is far too easy to become overburdened and exhausted.

Caregiving is becoming a fact of life for millions of Canadians in the latter part of this decade. Preparing for that role, from a financial and personal perspective, is a priority that is often overlooked or neglected in the rush of everyday life. It’s important to seek advice to help you work through your situation, prepare for it financially and take advantage of any tax benefits. You may not be able to control when, or if, you find yourself in the role of caregiver, but thinking about it early and making some plans can go a long way to making it a successful period in your life, and the life of someone close to you.

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