

# Eldercare: How to Hire Your Kids to Take Care of You

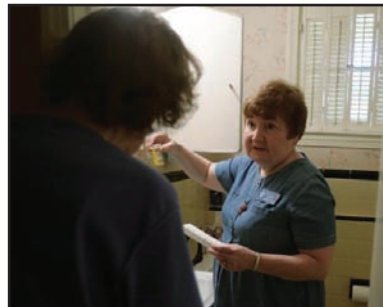
By Marla Brill

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Long before the phrase “sandwich generation” took hold, seniors in declining health turned to children or other relatives for essential tasks such as cleaning, grocery shopping, doing laundry or driving to doctors’ appointments. Now, a growing number of families put a price on such devotion through caregiver contracts.

As the name implies, caregiver contracts outline in detail paid arrangements between a parent and child, relative or anyone else in the caregiving loop. Among other things, a formal agreement sets forth the length of time and rate of pay for caregiving services, and the tasks to be performed.

While children who care for elderly parents is nothing new, tough economic times and the rising cost of nursing home care add appeal to paying them for doing so under a contractual arrangement. “These days many people can’t afford to care for someone without getting paid, especially when they have to leave a job to do it,” says Ellen S. Morris, an attorney with Elder



Law Associates in Boca Raton, Florida. “For parents, paying a child or other relative can help them stay at home and provide assurance that they are not being a burden.”

Caregiver contracts mushroomed with a 2006 change in the law that makes it more difficult for people to give away their assets to qualify for Medicaid. By spending down savings to pay for caregiving, elders can lay the foundation for Medicaid to pick up the tab should a nursing home stay be required. According to Morris, that’s an important goal for about half of her clients who use contracts with family members.

They can also make it easier for veterans to qualify for certain benefits, says James Mullen, an elder law attorney in Bristol, Rhode Island. Under one program, some disabled veterans who pay a relative or other person for care can include those amounts as medical expenses, which may qualify for government reimbursement.

While formal contracts pave the way for receiving government benefits by setting important details in stone, Mullen says that suggesting them to family members often evokes an emotional response.

“The kids don’t want to look like they are being greedy and some parents believe that children should care for them out of love, not money,” he says. “But when I point out that a son or daughter is providing a valuable service, and often suffering a financial loss by taking time away from a job to do so, that sometimes changes their minds.”

Putting things in writing can help clear the air among family members, says Morris. “There may be one sibling living near mom or dad who takes on most of the care giving responsibilities, while the rest live out of state. Having a contract and getting paid can help assure the caregiver doesn’t feel resentful or taken advantage of,” she says.

It’s important to keep a number of issues in mind when considering a caregiver contract:

**Taxes.** To pass muster with Medicaid, the caregiver must be treated for tax purposes like a household employee, which means paying Social Security, Medicare and unemployment taxes. They’ll also need a W-2 form.

**Cost.** Attorneys often draw up caregiver contracts as part of an estate plan, which can run several thousand dollars. If done individually, the charge for such a contract would be in the \$750 to \$1,500 range, says Mullen.

**Payment.** Like other employees, caregivers may be paid on a weekly or monthly basis. In some states, they can receive a large up-front lump sum payment based on expected earnings over the elder’s lifetime according in IRS life expectancy tables or other independent source.

Experts stress that for Medicaid purposes it’s important to pay no more than what a qualified professional would receive for the same services. Mullen recommends an amount comparable to what a private home care provider would charge, usually in the \$20 to \$35 an hour range, less a slight discount to be on the safe side. Compensation could be higher if a child is a registered nurse or other qualified medical professional and provides more expensive services.

While some legislators have attacked large lump sum payments as a loophole for spending down assets quickly, Morris says they are a valid form of compensation allowed under Florida Medicaid rules. “This is a valid contract for consideration in which the caregiver may receive far less than if payments had been made gradually. And the elderly person knows that care will be given for life.”

In addition to personal savings families sometimes turn to state or federal programs that compensate caregivers. A growing number use long-term care policies, although such policies typically do not cover non-medical caregiver duties such as housekeeping.

**Documentation.** Mullen says it’s a good idea to have an independent party such as a geriatric care manager come in one a month to verify that the caregiver is living up to the expectations of the contract. Caregivers should also maintain a daily diary of the duties they perform.