

Attorney Timothy P. Crawford, CPA, CELA*, CAP**
wanted to share this information with you.

COMPENSATING FAMILY CAREGIVERS

GREATER MILWAUKEE AREA OFFICES IN BROOKFIELD, GLENDALE, MILWAUKEE, OAK CREEK & RACINE

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During the holiday season, many adult children return home to visit their parents and find that their parents need assistance in order to remain at home. A recent article in *Financial Advisor Magazine* discussed compensating family members for providing care to parents.

In late 2009 the National Alliance for Care giving, in coordination with AARP and funded by MetLife Foundation, conducted a survey of care giving in the U.S. The survey revealed that the number for Americans who look after a person with disabilities age 50 years or older has jumped to 43.5 million, a 28% jump since 2004. An increasing number of family caregivers are getting paid for their efforts. Elder law attorney Angela Crandall says, “more and more people are making the care of a loved one their full-time job and getting compensated for doing so. Also, as the cost of nursing homes, home health care, and assisted-living facilities rise, more and more families find themselves unable to cover the cost of care for a loved one and must instead provide that care themselves.”

Payments to family caregivers may help reduce estate tax liability for parents, and they may be medical deductions for the recipient of the care. Experts caution that it is essential that the transactions are properly reported. These experts recommend hiring a payroll service to write the checks, withhold appropriate employee taxes, and file employer taxes. It is also a good idea to carry insurance for any full-time employee working in the home. If the caregiver is living with the parent, room and board is considered partial payment and should be documented along with the salary. Advisors recommend drafting formal employment agreements; these agreements are critical if the patient ever applies for Medicaid for long-term care. The personal service contract should specify the number of hours of service per week, the hourly rate (which must be reasonable and customary for the region), and the types of duties to be performed. Parents should not transfer assets to their children to pay for care because this also may present problems if the parent later applies for Medicaid.

Another good reason to prepare a formal care giving agreement is to avoid possible future tension with other heirs. If a parent pays one child for providing care, then the other children may resent the impact on their future inheritance. Families should let everyone know at the outset what is going on in order to avoid problems later. Many families

discuss and decide who is best suited for coping with the care-giving challenges. Lewis Walker, a financial advisor from Norcross, Georgia, says, "A lot of time, the one who picks up the ball feels stuck with it. This child just happens to be the closest geographically, or the only one who doesn't have small children at home, and gets kind of drafted involuntarily." Mr. Walker recommends a free-flowing discussion including fair compensation for care giving.

Some families can afford to hire professional caregivers; however, if the parent does not have sufficient resources, then the burden may fall on the children. A family may have one member who can afford to assist with the financing. In such a case, the parent should sign a note at a reasonable interest rate, with the debt to the child the first to be paid at the parent's death, before the remaining assets are distributed to the heirs. This works particularly well when the parent's assets are illiquid, such as tied up in the family home, or if the market is not favorable for liquidating other assets.

Experts agree that planning ahead is the key to success. New York financial advisor Michael Fliegelman says, "People don't take the time to look at the big picture when it comes to financial planning for old age. If you wait until you are in the stage you are planning for, then you might find yourself inadequately prepared."

**“Those Who Plan Ahead Win.
Those Who Don't Plan Ahead Lose.”**

This article is for informational purpose only and is not intended as legal advice. It is recommended that you call Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Crawford can be reached at 1-262-634-6659. Please refer to this article when you call.

*Attorney Timothy P. Crawford is a Nationally Board Certified Elder Law Attorney (**CELA**). He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

Timothy P. Crawford was invited to join the Council of Advanced Practitioners (CAP**) of the National Academy of Elder Law Attorneys (**NAELA**) in August of 2005. **CAP** is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated by Martindale Hubbell, a service that provides an independent rating of the quality of attorneys, as one of the top attorneys in the nation.

Attorney Timothy P. Crawford has been selected as a **Fellow** of NAELA. **Fellow** is the highest honor bestowed by the Academy. Selection as a **Fellow** signifies that his peers recognize the lawyer as a model for others and as an exceptional lawyer and leader.

Attorney Timothy P. Crawford has a superb rating of 10 out of 10 with A V V O.

A V V O has awarded to Attorney Timothy P. Crawford the A V V O Client's Choice Award.

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to Protect Their Assets from Nursing Home Care Costs"**

"A majority of text has come from an article prepared by Attorney Howard S. Krooks, friend of Attorney Timothy P. Crawford, is used here with permission."