

PROFESSIONAL JUDGMENT TIP SHEET

Topic: Elder Care

What?

Families may experience significant out-of-pocket expenses related to the support of elderly family members. Commonly known as elder care, it is the specialized care required to meet the financial and/or physical needs of older adults; in particular, the care of a parent by a son or daughter. Examples of this type of care include, but are not limited to, hospice care, personal at-home care, financial support, or the payment of medical expenses. The impact of elder care may range from direct financial support of the elderly family member(s) to the loss or reduction of employment earnings.

Why?

Providing for an elderly family member may impact the ability to pay for educational expenses. Due to cultural expectations or the inability to support themselves, there may be a sense of responsibility or obligation to support these extended family members. Institutions may choose to consider this expense in their evaluation to equitably assess financial strength.

How do I...

Collect information?

The CSS Profile includes a section for “Special Circumstances” where elder care support can be reported. Additionally, an elderly family member may be listed in the household or reported on a Verification Worksheet. Depending on institutional policy, it may be appropriate to request details on how the family supports an elderly family member. Examples of documentation include, but are not limited to:

- statement from the family
- list of financial support provided
- copies of checks, electronic funds transfers, paid bills, and receipts
- long-term care benefits
- financial resources of elderly family member
- federal tax returns

Analyze the information?

During review of the documentation, determine if the elder care recipient is reported on the CSS Profile and, therefore, included in the household size. If so, the Income Protection Allowance (IPA) increases to account for the basic living expenses of this

individual. The financial aid administrator may examine the resources of this individual and determine if any of their income or assets could be included in need analysis. Income and asset information may be obtained through the individual's federal tax return, social security statements, bank statements, or other documents. Additionally, the family may claim the elderly family member on the federal tax return as a dependent. Consideration may be given to the individual's earning potential.

If elder care is provided, even if the individual is living in the household, the financial aid administrator may review the out-of-pocket expenses paid by the family. Consider the amount the family contributed in a given year by reviewing copies of checks, electronic funds transfers, and/or receipts. Documentation of expenses does not necessarily constitute the amount paid. The financial aid administrator should determine if any of the expenses were covered by long-term care insurance or Medicare.

It is also possible that a parent serves as the primary caregiver of an elderly family member, which may impact the parent's ability to earn income. If so, consideration might include an adjustment using alternate year income. (For more on handling these cases refer to the Alternate Year Parent Income Tip Sheet.) Additionally, a parent who provides elder care may receive payment for their services from the grandparent or another source.

Before making an allowance for elder care, the financial aid administrator may want to consider whether this situation will continue in future years.

Treatment in IM and FM

Similar approaches can be used in both Institutional Methodology (IM) and Federal Methodology (FM). IM and FM standard treatments do not directly consider out-of-pocket elder care expenses. Inclusion of the person in the household will qualify the family for an increased IPA.

IM Options

Pursuant to institutional policy, the financial aid administrator may consider the following options in IM:

- Include the elderly dependent in the applicant's household. The elderly dependent's resources (e.g., assets, pension, or social security) may be considered in the need analysis as a resource to the family.
- Make an allowance against the family's income for unreimbursed expenses.
- Make an allowance against the family's assets for unreimbursed expenses. Institutional policy may advise determining if the financial resources used to pay for those expenses were reported on the CSS Profile. If not, then an additional

allowance might not be appropriate as the expenses are already reflected in a lower asset amount.

- If the parents' ability to earn income is impacted, reduce the Adjusted Gross Income (AGI) and recalculate the taxes paid based on the new AGI.

FM Options

FM could be adjusted in a manner similar to IM. In FM, an allowance must be made to a data element, such as taxes paid or household size.

Additional Considerations

The financial aid administrator may consider the expenses actually paid within the year under review. It may be appropriate to evaluate how the elder care expenses relate to the base year, recent year, and anticipated year income. For example if the family's anticipated year income is significantly different than the base year income, it may be more appropriate to consider the elder care expense against the anticipated year income.

When adjusting assets, ensure that there is a current contribution from assets; otherwise, an additional allowance will not result in a change in contribution.

PROFESSIONAL JUDGMENT CASE STUDY

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Case Study 1

The Khatri family has appealed the financial aid for their son Arjun. They sent a letter explaining that they support the student's grandparents living in India by sending \$500 checks monthly. Arjun's grandmother recently suffered a stroke and her husband is unable to fully care for her. Arjun's parents paid for her in-home care, totaling \$25,000. She does not have health insurance, so all expenses must be paid out-of-pocket. Mrs. Khatri had to take a month of unpaid time off work to travel to India to help her father care for her mother. While Mrs. Khatri works full-time, she is concerned she may have to quit her job in order to return to India if the situation does not improve. The family is asking for any relief the financial aid office can provide during this difficult time.

The family provided copies of checks paid to Arjun's grandmother totaling \$6,000 for the last 12 months. In addition, they provided a statement for in-home care confirming \$25,000 had been paid.

Decision

The financial aid administrator used the \$6,000 elder care support as an additional income allowance. To address the \$25,000 in-home care expenses, the financial aid administrator applied an asset protection allowance since this amount was paid from their savings after the applications had been submitted. The financial aid administrator decided not to adjust income to reflect Mrs. Khatri's unpaid time off of work at this time. The family was offered the option for a reevaluation once their income had been documented.

Treatments in Methodologies

IM Treatment

The financial aid administrator could provide an allowance for the \$6,000 elder care support by entering the expense as:

- an additional parent income allowance in the IM need analysis formula, or
- an increase to taxes paid.

The \$25,000 in-home care allowance from savings could be applied by:

- entering the expense as an additional asset allowance in the IM need analysis formula, or

- reducing the value of cash, savings, and checking or investments.

FM Treatment

The financial aid administrator could increase taxes paid by \$6,000 and reduce the reported assets by \$25,000.

PROFESSIONAL JUDGMENT CASE STUDY

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Case Study 2

Sansa Stark appealed her financial aid based upon family support provided for her grandfather, Rickard. The CSS Profile and FAFSA submitted for Sansa did not include her grandfather in the household. When contacted for more information, the Starks shared that they provide a majority of financial support for Rickard's living expenses. In addition, the family submitted copies of Rickard's modest monthly social security checks and a bank statement showing his minimal savings of \$2,500. Additionally, the Starks noted that a nurse visits the house three times a week to care for Rickard. The family provides \$15,000 annually to cover a portion of the costs, while the remaining amount is covered by Rickard.

Decision

The financial aid administrator chose to add Rickard to the household and include his \$2,500 savings in the analysis. Since the increased household size results in a higher IPA, the \$15,000 out-of-pocket expense was accordingly reduced and added as an additional income allowance for the family.

Treatments in Methodologies

IM Treatment

Since the grandparent was included in the household size, the IPA increased to account for the additional family member. In this example, the \$15,000 out-of-pocket expense was accounted for through the increase in IPA (\$3,900) and an other income allowance of \$11,100. Also, the grandparent's \$2,500 savings was added to the parent cash, savings, and checking.

FM Treatment

The same treatment as in IM is applied, except the IPA tables are different. In FM, the IPA increased by \$5,150, so the \$15,000 out-of-pocket expense was reduced to \$9,850 and added to taxes paid.