Funding Senior Health And Care—Beyond Simple Dollars And Cents - Part 2

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Editor's note: This is the second article in a two-part series.

To read the first article, click here: /news/funding-senior-health-and-care-beyond-simple-dollars-and-cents-34852.html?section=40

Segmentation By Independence

Independence primarily has to do with a person's physical and mental capacities, coupled with the ability to supplement those as needed. There is virtually an infinite number of ways to supplement these capacities. Some are financial, many are not.

A prime motivation as people age is their desire to maintain control of their lifestyle. Living independently, and in their own home, is a lifestyle that is preferred overwhelmingly across all asset and income classes. However, it means different things to different people. The scope of independence people want often narrows as people age, and how much they actually have depends on how well they age.

Examples of segments with different forms of supplemental support might include people who choose to:

1. Live with or close to family members
2. Band with likeminded seniors to manage their own community like Beacon Hill Village
3. Simplify their lifestyle and do less "home maintenance" and more golf in retirement. They may choose to live in an "over 55" community, but retain control and responsibility for their medical and nursing care should a need arise.
4. Live in "continuing care retirement communities" to also opt into the full range of medical, nursing and hospice care.
5. Age in place, exactly where they've spent their adult life, and acquire different support services as they need.

Generally, the first option potentially offers the least independence, while the fifth option offers the most potential independence—given sufficient financial resources.

In like manner, the first and second options are generally less expensive for the care recipient, but often a financial burden for family or community members. The fourth and fifth options tend to be more expensive for the care recipient and less burdensome for the family.

Financial wherewithal is one measure, and it clearly provides more options. However, more to the point, each of the five examples above require different combinations of liquidity, income, assets and insurances, as well as support services and advance preparations.

Each will require “funding.” Parts can be financed, other parts use “contributed time.” Without understanding a client’s perspective on capacities for independence, it is extremely difficult to provide the best financial advice.

It’s worth noting, each situation is different. A live-in grandparent who cares for grandchildren is a boon, while an elder move-in parent can burden a single adult child.

Counter intuitively, a child-care grandparent, with higher levels of social engagement, has better health and more independence. In contrast, the move-in parent can be isolated and dependent on a single adult child.

Dynamics like these cut across all financial segments. Advisors who understand are able to differentiate their practice, whether they elect to serve one or multiple financial segments.

Segmentation by Engagement

Another motivation is to engage socially. Engagement is built on interpersonal relationships, shared experiences, communication and proximity. Social engagement is about having a purpose, validating self-worth and making contributions. Like independence, it is difficult to overstate the impact of engagement on quality of life.

High levels of engagement are easier when family and/or community are nearby and accessible. Physical proximity to family and community are a particularly important. While there are a variety of ways to communicate and interact over distances, age often brings less mobility and less face-to-face interaction. That alone can impede active social engagement.

In the “independence” examples above, the first two options entail close geographic proximity to a core social network, and easier social engagement. In contrast, as families disperse and communities turn over and change, the latter options result in less proximity, more adjustments, and potentially more isolation.

Again, the dynamics of social engagement cut across all financial segments, and there is no shortage of different situations—all with financial implications. Each move has liquidity implications, transaction costs and indirect costs of adapting to different social networks.

Examples of different (mostly intentional) situations where geography affects social networks include people who:

- Downsize, and almost by definition move. They face new patterns of social interaction. Even if it’s nearby, social networks are all in motion, and not necessarily accessible.

- Want to winter in one place and summer in another. Maintaining multiple households and family and/or community networks has expenses, and benefits.

- Want to be close to their grandchildren and may need to move to do that.

- Want to pursue an avocation, and may need to finance their effort, particularly if it is through a non-profit entity.

- Learn they need more help than expected and must move abruptly into a new community. Researching, selecting, entering and adapting to a new community can be complex, disruptive—both socially and financially.

- Need or want to move after the death of a spouse and will have more difficulty adapting without their partner's support.

Financial resources clearly help. But more resources alone are not the best answer. Any move will change social networks and patterns of engagement. The change may be good, bad or a combination of both. However, an unplanned move, or worse an unsuccessful move, is expensive financially, and erodes quality of life.

Without understanding which networks are most important to clients and why, it is difficult to discuss what's required financially to maintain them over time. As with independence, it's extremely difficult to provide the best financial advice without the best discussion.

With known lifetime timeframes (e.g., college bills), it is not difficult to set investment timeframes. With social networks and engagement, timeframes are simply not knowable. But ignoring them is not the answer.

Going Beyond Dollars and Cents

The easiest segmentation begins with dollars and cents, and ends with a strictly financial discussion of returns, risk tolerance and broad investment objectives.

The best segmentation process goes further. It addresses quality of life objectives, like independence and engagement. That surfaces available trade-offs, how financial resources enable those, the financial consequences of unavoidable events, and using financial and non-financial resources to manage them.

A better segmentation process yields more opportunities to advise and help clients achieve their lifetime health and care objectives.

It also yields better advice and better outcomes for clients.

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