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A Guide to Caregiver Finances

Caring for an older loved one is highly rewarding, but it can strain your finances, especially if you use your personal income to cover their medical costs, household expenses, and other fees. In 2016, AARP surveyed 2,000 unpaid caregivers and discovered that they spent an average of close to **\$7,000 per year** of their own money to pay for a loved one's needs.

Even if you're not spending a lot of your own money, unpaid caregiving can affect your finances by making it difficult to take on paid opportunities. As a result, "Many family caregivers do find themselves in tight financial situations, and caregiving can be extremely costly," according to Jaclyn Strauss, a Certified Public Accountant. Strauss continues, "Several non-profit organizations assist caretakers in locating resources and financial assistance for their elderly relatives. Medicare and/or Medicaid also do cover certain caregiving services as well. Family caregivers need to become informed as to what resources are out there and available."

If you're caring for a loved one, you may find yourself facing financial strain. We created this guide to help caregivers like you understand what options are available to help alleviate the financial impact of caregiving, including tax benefits and paid caregiving programs that can lighten the load and make it easier for you to balance your caregiving duties with work and family life.

Tax Benefits for Family Caregivers



Now that you know how much it can cost to care for a family member, it's important to learn how to reduce some of these out-of-pocket costs to strengthen your financial situation. You may be missing out on tax benefits that can help you care for your loved one without depleting your own funds.

Below, we explain several ways in which you can potentially save some money on your taxes due to your role as a caregiver. It's important to note that the Internal Revenue Code is thousands of pages long, and it's written in technical language that can be difficult for the average taxpayer to understand. If you need help taking advantage of these tax benefits, seek help from an accountant in your area.

Claim Your Parent as a Dependent

If possible, claim your parent as a dependent when you file your tax return. To qualify, you must provide more than half of your parent's support throughout the year. Support includes food, lodging, transportation and other needs.

When calculating the amount of support you provide, don't forget to include the fair market value of their room in your home, if you provide one. You can also consider utilities, the cost of groceries and other living expenses that you pay. Your parent must also meet the income test established by the IRS. For 2021, the gross limit is \$4,300; the IRS may change this limit from year to year.

Create a Flexible Spending Account

A flexible spending account is an account designed to help people set aside money for healthcare expenses. If your loved one [qualifies as a dependent](#), you can use the funds from your FSA to cover their health-related expenses, including vision exams, dental cleanings, and medical supplies.



year; however, your employer has the option of allowing you to roll over \$550 to the next year or giving you an extra two and a half months to spend the money.

Claim Allowable Expenses On Your Tax Return

If your loved one qualifies as your dependent, you may be able to deduct many of their expenses when you file your annual tax return. This includes cab fare, mileage, tolls, parking and other transportation expenses associated with getting them to their medical appointments.

To qualify as your dependent, your parent must be a legal resident of the United States and receive more than half of their total support from you during the year. Although the IRS doesn't allow you to itemize medical expenses unless they account for either 7.5% or 10% of your adjusted gross income, check with your state tax agency to determine if your state allows you to deduct medical expenses that fall under the IRS threshold.

Set Up a Multiple Support Declaration

If you share caregiving duties with your siblings, consider setting up a [Multiple Support Declaration](#) to ensure you can claim the tax exemption for your parent even if you're not paying all of their expenses on your own. You must meet the following criteria to qualify for a Multiple Support Declaration:

- Each person who pays more than 10% of your loved one's expenses must agree that you can take the tax exemption.
- You personally provide more than 10% of your loved one's support.
- Each contributor involved in the declaration could have claimed the tax exemption, except they contributed less than half of the total support costs.
- The amount you and your other family members paid totals more than half of your loved one's support.

Once everyone agrees that you can take the exemption, they must all sign a Multiple Support Declaration form. You'll file this form with your tax return.

Additional Tax Information for Caregivers

- [IRS Publication 501: Dependents, Standard Deduction, and Filing Information](#)
- [Internal Revenue Service: Dependents](#)
- [Internal Revenue Service: Qualifying Relative Dependents](#)



Government Benefits for Family Caregivers



Once you sort out your tax situation, you can search for government programs designed to help elderly adults and adults with disabilities pay for medical expenses and other necessities. Each program has specific eligibility requirements, so be sure to read the fine print. To learn more about the benefits available, contact your local [Area Agency on Aging](#) or your [State Health Insurance Assistance Program \(SHIP\)](#).

Self-Directed Services

If your loved one has Medicaid coverage, they may qualify for [self-directed services](#). Under this program, Medicaid enrollees have control over who provides their caregiving services, how those services are delivered and when the services are provided. The guidelines differ from state to state, but the person with Medicaid coverage typically has a budget that can be used to pay for caregiving services. If your loved one qualifies for the program, they can use the funds to pay for care, leaving more money available for other expenses.

HUD Home Improvement Loans for Home Modifications

The U.S. Department of Housing and Urban Development has several loan programs designed to help people pay for home renovations and repairs. Under the [Title I program](#), your loved one may qualify for up to \$25,000 in financing to rehabilitate a single-family property or \$12,000 per unit in a multifamily building. Home modification loans are offered by HUD-approved lenders at market interest rates, so



Aid and Attendance Benefit for Veterans

If your loved one served in the military and needs help performing daily activities, they may qualify for the [Aid and Attendance benefit](#) offered by the Department of Veterans Affairs. This program increases the pension amount your loved one receives each month, ensuring that funds are available to pay for caregiving services. Even if your loved one doesn't need help performing daily activities, they may qualify for the Aid and Attendance benefit if they spend most of their time in bed due to an illness, have limited eyesight or live in a nursing home due to a physical or mental disability.

Your loved one can apply in person at a regional VA office or print an application and mail it to the Pension Management Center serving their state. Use the VA website to find out [which PMC](#) to use.

If you and your loved one find the paperwork too confusing, it may be worth it to seek the help of a professional. Be advised, though, that it's not legal for a professional to be paid a fee to help someone qualify for this VA benefit. However, if you are already paying a professional, like a local Elder Law attorney to help with the overall estate and trust planning, they will likely assist with the VA paperwork at no cost since they are being paid a fee for the Estate Plan.

Social Security Survivors Benefits

The Social Security Administration pays benefits to surviving widows and widowers, which may help your loved one cover more of their own expenses. These benefits aren't always retroactive, so time is of the essence when applying. Encourage your loved one to [apply for survivors benefits](#) as soon as possible to avoid losing any available funds. To apply by telephone, call 1-800-772-1213. They may be asked to provide a birth certificate, proof of citizenship or other documents to support their claim.

Free Transportation for Seniors

Check with local and state agencies to determine if your loved one qualifies for any free transportation services. These programs don't pay benefits directly, but they can reduce your out-of-pocket caregiving expenses by limiting the number of times you have to drive to medical and dental appointments. If your loved one qualifies, you may save money on parking fees, tolls, and gasoline, and you won't put as much wear and tear on your personal vehicle. Medicaid may also be able to [offer rides](#) to non-emergency appointments. The guidelines vary by state, so check with your local



Medicare Qualified Beneficiary Program

The [Medicare Qualified Beneficiary Program](#) covers the cost of Medicare Part A and Part B premiums, deductibles, copays, and coinsurance, which can free up much-needed funds for your loved one's other expenses. To qualify for this program, your loved one's income can't exceed \$1,060 per month, and there's an individual asset limit of \$7,730. [Contact Medicare](#) to learn more about the eligibility requirements.

Talking to Your Loved Ones About Money



Finances are an important aspect of caregiving, so it's important to discuss your loved one's finances with them and with other family members involved in their care. Lauren Klein, CFP, notes that "Money can be a highly emotional topic. Just as it can be difficult for many seniors to understand why they need to hand over the car keys when driving becomes unsafe, handing over control of their finances can also become difficult, to say the least. Ease the way with a family meeting. Have an open, honest discussion about how much money is available to pay for your parents' care, and decide who is the most suitable person to manage the assets when they are no longer capable of making prudent financial decisions. Decide when and how to hand over the financial reins—together."

Even though talking about money is important, it can also be uncomfortable, especially when broaching the subject with a parent who raised you and taught you how to handle your own finances. Below, we provide some tips to make the conversation easier and a little less awkward.

Plan Ahead



everyone is as relaxed as possible; don't bring up your loved one's finances in the middle of an argument or during a stressful medical appointment.

Emphasize Your Desire to Help

Skeff Bisset of Bisset Financial Group states, "One way to consider opening the conversation is to share with them that you want to be their steward when they can no longer make decisions for themselves. Share with them that you want to be equipped with their intents so that you can follow through for them." If you emphasize your desire to help, your loved one may be a little more open about their financial situation.

Talk About Your Own Financial Planning Experiences

Open the conversation by talking about some of the experiences you've had with financial planning. "Mom, I've been having trouble deciding if I should keep my money in the stock market or invest in something with less risk. What did you end up doing with your retirement funds?" is a non-confrontational way to get the conversation going. Instead of asking your loved one a direct question about their finances, you'll be asking them to share their wisdom.

Use a Life Event or Current Events to Start the Conversation

If you're not comfortable sharing information about your finances, use current events or a special life event to kick off the conversation. Patrick Simasko, an elder law attorney and wealth preservation specialist, says, "I recommend that you start around the holidays when all children involved are with each other. Start the conversation by discussing a recent story that happened in which an elderly person was taken advantage of—unfortunately, these stories are too common. Start with stories and lead into, 'Do you have your paperwork in order?' When they say they are all set because they had a will done years ago, ask questions and make sure everything is up-to-date and powers of attorney are in place."

You can also use happy occasions, such as the birth or marriage of a grandchild, to get the conversation rolling. If you don't have any family events coming up, turn to the nightly news for inspiration.

Talk about How to Pay for Home Modifications to Age in Place

If you notice your loved one is having trouble navigating through their home as they [age in place](#), such as difficulty walking up and down the stairs, getting around the house in a wheelchair, or getting in and out of the shower, talk to them about



government benefit to help. Then transition the conversation to other care issues you need to address.

Remain Calm and Respectful Throughout the Conversation

Even when emotions run high, it's important to remain calm and respectful. If you're frustrated, table the discussion and let your loved one know you can talk more when everyone is in a better frame of mind.

Financial Questions to Ask Your Aging Loved One

If you're having trouble finding the right words to start a conversation about finances, consult the list of questions below and choose the one that's most relevant to your situation.

- Do you have a Financial Advisor who helps you with overall financial decisions?
- Do you have long-term care insurance?
- Do you have plans in place to pay for long-term care if you need it?
- If you needed emergency medical care, would you have enough money on hand to pay the bill?
- Have you ever had an attorney draw up a will?
- Do you have a living trust?
- What sources of income do you have?
- What type of health insurance do you have?

Getting Paid to Take Care of Your Parents





qualify for each one. Below, we explain how you might be able to get paid to provide ongoing care.

Medicaid

Medicaid's self-directed services program allows [Medicaid recipients](#) to direct their own care rather than relying on agencies and other managed care services. The eligibility guidelines vary by state, so it's important to check with your state's Medicaid program to determine if your loved one qualifies. Some states only allow Medicaid enrollees to pay family members who don't live in the same household. Other states have restrictions on which family members are allowed to get paid for caregiving; for example, some states prohibit spouses from acting as paid caregivers.

To enroll in self-directed services, your loved one must undergo an assessment, create a written service plan outlining the type of assistance needed and choose a caregiver.

Veterans Benefits

Aid and Attendance

If your loved one served in the military and meets one of the following requirements, they may qualify for the VA Aid and Attendance benefit, which provides funding for caregiving.

- Confined to bed due to a disability
- Limited eyesight (less than 5/200 in both eyes), even when wearing glasses or contact lenses
- Needs help with bathing, dressing or other activities of daily living
- Lives in a nursing home due to a physical or mental disability

Eligible veterans receive a pension increase that can be used to pay you for caregiving services. Your loved one may also be eligible if they're the surviving spouse of a qualifying veteran.

Program of Comprehensive Assistance for Family Caregivers (PCAFC)

PCAFC offers a monthly stipend for family members who care for veterans who need assistance with activities of daily living due to a traumatic injury sustained on or after September 11, 2001. The injury must have occurred in the veteran's line of duty. To get paid as a caretaker, you must be at least 18 years old and a family member,



Family Funds

If you don't qualify for any government or nonprofit programs, don't lose hope. You may still be able to get paid for your services if your family has access to certain funds. One option is for your loved one to use their long-term care insurance benefits to pay you for caregiving. Depending on the terms of the policy, you may have to obtain some type of caregiving license, but if you're already providing unpaid care, it may be worth getting the required credential so you can be compensated.

If your state has any laws requiring paid family leave, you may be able to get paid by your employer while you take time off to care for your loved one. This isn't a permanent solution, but it can help you provide care for a few weeks after a hospitalization or until you're able to arrange for long-term care.

Frequently Asked Questions

Q: Do all caregivers get paid?

No, not all caregivers get paid. Many people care for aging parents or other loved ones without receiving any compensation for their time and effort.

Q: Can I get paid for taking care of my elderly parent?

It depends. Your loved one may be eligible for at least one program that allows family members to act as paid caregivers. The Centers for Medicare & Medicaid Services and the Department of Veterans Affairs are two key agencies offering this type of program. You may also have access to state and local programs that compensate family members for providing care.

Q: Are there tax benefits for caregivers?

Yes. If your parent qualifies as a dependent for tax purposes, you may be able to deduct their medical expenses when you file your annual tax return. The benefits are even greater if you're single or living apart from your spouse, as you may be able to file as the head of your household, increasing your standard deduction by more than \$6,000.

Q: Is there assistance available for family caregivers?



training for unpaid caregivers such as family members to make sure that their loved one will receive quality care at home.

Q: Does Medicare or Medicaid pay for family caregivers?

It depends on where you live and whether your loved one meets the state-specific eligibility requirements. Check with Medicare to determine if any paid caregiver programs are available in your state. In some states, Medicaid allows enrollees in the self-directed services program to hire their family members and pay them to provide care.

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Top Cities for Assisted Living

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