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James Sullivan

How Meeting the Needs of Clients With Chronic Disease Can Be Rewarding

As your client base ages, you can't ignore the impact chronic disease has on them. Many chronic diseases progress slowly and present differently in each individual. This makes planning difficult, but not impossible.

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by James Sullivan, CPA, PFS

A chronic disease is a serious illness that develops over time. It may be managed but is unlikely to be cured. Parkinson's disease is a chronic condition. Other examples include multiple sclerosis (MS) and Alzheimer's disease (AD). By contrast, acute conditions are severe and sudden in onset. A broken bone is an acute condition (although a chronic condition such as osteoporosis can cause it).

Financial planning for clients with chronic disease and their impacted families raises unique issues of which planners must be aware. For example, improper planning may disqualify an individual with chronic disease from receiving assistance from the federal and/or state government. This can cost the client hundreds of thousands of dollars and expose the planner to liability. To avoid this and do the best possible job for the client, planners must learn to ask whether the client or someone in their family has a chronic disease. Often clients will not bring up the topic themselves until asked.

You will need to take the prevalence of chronic disease into account for all your clients. As Martin Shenkman, CPA, PFS, JD points out, nearly two out of three (60 percent) of those living with chronic disease are between the ages of 18 and 64. See *Estate Planning for People with a Chronic Condition or Disability* (2009 demosHEALTH) and www.rv4thecause.org. The aging of your client base will also increase the importance of these issues. This is especially true of AD and other diseases closely associated with aging. (See Martin Shenkman's webinar on planning for chronic illness on the AICPA PFP website.)

Before you can undertake proper planning, however, you must learn more about the particular disease (such as how the disease presents in the patient, how it progresses and the progression of care that may be needed). Some diseases, such as AD will shorten life expectancy, while others, such as PD do not necessarily shorten life expectancy.

In this article, the focus is on clients diagnosed with PD after age 60. Keep in mind, however, that PD is not as associated with aging as (for example) AD. Each year, 40 percent of the new PD cases are diagnosed in someone younger than 50-years old. For example, actor Michael J. Fox was first diagnosed with PD in his 30s. Working with clients with a chronic disease is not about working with the elderly. Rather, it is learning how to plan for clients of all ages struggling with the physical, cognitive and financial challenges brought about by chronic disease.

How Prevalent Is Chronic Disease?

Today, 120 million Americans live with a chronic illness or disability. Within 10 years, that number will increase to 157 million. This number includes individuals of all ages. Among older adults, one quarter of those aged 65 through 74 are significantly impacted by chronic illness, while half (50 percent) of those over age 85 have cognitive impairment. Understanding the impact of chronic disease on your clients' finances is an issue you cannot afford to ignore.

For a number of reasons, people living with chronic disease do not want it generally known. They may believe there is little their financial advisor can do to help. Advisors must learn to ask. Even a healthy looking client may suffer from a chronic disease. Clients with no immediate need may eventually be diagnosed with a chronic disease or refer family members or a friend that you can assist.

Parkinson's Disease

Loss of the brain's control of voluntary movements causes PD's movement disorder. It is a chronic as well as a progressive disease meaning the symptoms get worse over time. Though PD's progression can take many years, even decades, it is also manageable for years with the proper treatment and lifestyle changes.

While there are a number of symptoms, the four primary symptoms are:

1. Tremor
2. Rigidity of the muscles
3. Bradykinesia (the slowing down and loss of spontaneous and automatic movement)
4. Impaired balance

By itself, PD is not a fatal disease. In the late stages of the disease, it may cause complications such as choking, pneumonia and falls that can lead to death.
PD does not affect everyone in the same way. The rate of progression differs among individuals and presents itself in different ways. For these reasons, it is difficult to plan for the amount of care that may be needed. Some PD patients may eventually have to move to an assisted-living facility or a skilled-nursing facility. For others, independent living may be possible for years with only a

limited amount of assistance needed. As the PD progresses, however, almost all patients will eventually have to rely on someone's help.

Given such a wide range of possible outcomes — and care expenses — how can a CPA plan for a client just diagnosed with PD?

Male Client, Age 70

Howie was diagnosed with PD at age 73. Howie is familiar enough with the disease to know there is no typical progression. He is concerned that his assets are insufficient should he need extensive care. A widower, he lives alone. He has two adult daughters with families of their own. He does not want to look to them for care.

Howie's finances are relatively simple. He owns his home, receives $20,000 in annual Social Security benefits and has investable assets of $2 million. He does not own a long-term-care insurance policy. How much, he asks, should he set aside for future care? Does he have to cut down on his current spending in anticipation of his future-care needs?

Doing a capital-sufficiency calculation is difficult enough for a healthy client due to unknown factors, such as life expectancy, inflation, rates of return, among others. Layer on a chronic disease and the challenge becomes even greater due to the difficulty in anticipating the progression of care and associated costs the client may incur.

In Howie's case, the first step in planning involved doing projections assuming no incremental costs of care. Of his $2 million nest egg, it was determined that he would require approximately $1.3 million to maintain his current standard of living to age 95. This left $0.7 million for his potential incremental healthcare costs.

Using CareOptions Analytics™ Program, several care scenarios were modeled making different assumptions regarding his progression of care including the need for home care (both non-health and healthcare; making modifications to the home so he could remain as long as possible), as well as the length of time spent in a facility (in this case inputting various lengths of time in assisted living and skilled nursing).

After reviewing the results, Howie and his planner were better able to determine what risks he ran should his nest egg be consumed before his death. Howie and his planner split his portfolio in two: $1.3 million would be used to provide for his everyday living expenses, while the second portfolio of $0.7 million would be available to pay for incremental care costs. Each portfolio would have a slightly different investment strategy.

Howie's anxiety was reduced because some parameters were placed around his financial situation. He and his planner had numbers, however tenuous, with which to work. Of course, regular updates (at least annually) are important.

Conclusion

Building your practice with this type of specialized knowledge can be rewarding on a personal level and financially. You need only assist a few clients with chronic illness to learn just how valued you and the services you offer are.

Rate this article 5 (excellent) to 1 (poor). Send your responses here.

__James Sullivan__, CPA, PFS, works with his wife, Janet, who is an elder law attorney in Naperville, Illinois.

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