

# How Parents Can Provide for a Caregiver Child

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Taking care of a parent in need can be a full-time job. Children may have to give up paying jobs to provide care to aging parents, though unfortunately, caregiving is usually unpaid work. Parents who want to compensate a child for taking on the challenge of caregiving may do so in one of several ways.

## **Caregiver Agreements**

Caregiver agreements are an increasingly popular way to ensure a caregiver child is compensated for their work. A caregiver agreement (also called a personal care contract) is a contract between a parent and a child (or other family member) in which the parent agrees to reimburse the child for caring for the parent. These agreements have many benefits, including providing a way to reward the family member doing the work, helping alleviate tension between family members by ensuring caregiving is fairly compensated, and they can be a key part of Medicaid/MassHealth planning, helping to spend down savings so that the parent might more easily be able to qualify for Medicaid long-term care coverage, if necessary. The downside to caregiver agreements is that the income is taxable. To help avoid ineligibility and other future issues, such agreements should only be drawn up with the help of a qualified elder law attorney.

## **Estate Plan**

A parent can leave a caregiver child an additional amount in the parent's Will or Trust. The problem with this method of compensation is that it can lead to conflict between siblings or other family members. If a parent chooses to go this route, it is important that the parent explain his or her reasoning to any other children or family members that might be upset. Communication between the family members can prevent problems later. In addition, to avoid any appearance of undue influence, the parent should not involve the child in drafting the estate plan. It is important to take all precautions to avoid any future problems, such as a will contest.

## **House**

If a parent does not have cash to compensate a child, the parent may transfer the parent's house to the caregiver child. The parent can transfer the house outright and retain a life estate for him- or herself or the parent could make the child a co-owner of the house. If the caregiver child has lived with the parent for at least two years, transferring a house can have Medicaid planning advantages as well. However, transferring a house can have serious tax and other consequences, so before choosing to take this step, it is very important to consult with an elder law attorney.

In summary, there are many options to compensate a caregiver if that is your choice. However, be sure to first consult with a qualified elder law attorney to help you determine the proper method to compensate a caregiver family member.

*The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional. Rather, this article is simply intended to provide a basic understanding of why estate planning is important for everybody and a basic understanding of some of the more common*

*estate planning tools. This article does not constitute legal advice.*