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Snowbirding – Living in More Than One Location in Retirement

Steve Parrish, JD®, RICP®, CLU, ChFC®, AEP®, Co-Director Retirement Income Center and Adjunct Professor of Advanced Planning at The American College

Editor's note: This article is an adaptation of the live webinar delivered by Steve Parrish in 2023. His comments have been edited for clarity and length.

You can read the summary article here as part of the October 2023 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course Snowbirding – Living in More Than One Location for 1.0 hour continuing education (CE) credit.

By Steve Parrish, JD®, RICP®, CLU, ChFC®, AEP®, Co-Director Retirement Income Center and Adjunct Professor of Advanced Planning at The American College

This topic is very personal to me because I have been living it.

Many of the clients that you, as a financial advisor, serve are the kinds that would have dual residences, as your clients are probably more affluent. Do not assume, though, that you have to be high net worth to have a second residence.

Snowbirding does not necessarily mean you are moving to a southern climate. In some ways, the act of snowbirding can be a threat to your advisor-client relationship if you let it. Maybe they love this new place in Tennessee, Florida, or North Carolina. They might think, "I need a new advisor." They may drift away, but that could be avoided.

If you can become a resource to help these clients with this exciting but stressful life event of purchasing a second home and retiring, you can be their advisor for life.

Your Client's Retirement House

Let's put ourselves in the client's shoes. When they think about their retirement house, they might be thinking about two residences or maybe traveling in an expensive rig and giving up their address, so this is, for now, where they will live. Or people who are expats who moved to other countries. We will focus on people getting some dual residency in the U.S.

I wrote about the snowbird concept in my column in Forbes in 2020. The three things I get into in that article is deciding where you will locate. Where do you want to go: Florida, Texas, Arizona? Those are the three traditional ones because they are southern, and there is no income tax. However, you now see Tennessee, North Carolina, and people still go to California. Some people do the opposite, where they have a lake cabin in Minnesota. We see a lot of that in Des Moines.

So, where is your location? Are you going to buy or are you going to rent? Is this for business or pleasure? We are mainly talking about people who are retiring and want to live in two places: one that is close to the kids and one that does not have as much snow.

The concept of renting is an option. I am not going to get into a second home as an investment. The idea here is for people who want to live in two places.

The ”How” Versus the “Where” of Snowbirding

Today: “**how**” versus “**where**”

- ✓ Own versus lease
- ✓ Financing
- ✓ Establishing residency
- ✓ Expenses/financial management
- ✓Healthcare
- ✓Estate Planning
- ✓Advisors
- ✓Planning your Exit

The first consideration is: Do you own, or do you rent? Particularly, if you are going to own it, how do you finance it? A big topic that people think is simple is how to establish residency. “Well, you stay there six months and one day.” That is not the answer.

There are additional expenses and financial management that come with having a snowbird home. There is budgeting that needs to happen to make it work right.

It may not seem as apparent as it is, but you should think about healthcare because you are talking about people as they are retiring. They are probably in their age 60s or 70s.

There are also estate planning consequences that come from having a snowbird home, as these people are not spring chickens. They really must think about the eventual estate issues.

Also, where do you need your advisors to be? How do you work with your advisors?

Finally, what things do you need to think about in case you will not be living in two places for the rest of your retirement because you have a disability or some other issue?

For example, say your clients are Jan and Dean Beach. Let us say they are both 64, and they have been living in a lovely house in Chicago that is near family, such as kids and grandkids.

The situation is that Jan is retiring this year. Dean has a job where he can continue his job remotely. They have been saving to be snowbirds. They would like to spend seven months a year in a Florida condo, enjoy the good weather, and then come back in the summer to enjoy the pleasant summers in Chicago and see the kids and grandkids. They would be happy to do that in a condo; they do not need the big, drafty house anymore.

When they come to you, their concerns are what you would expect. First of all, “You are my financial planner. Do we have enough adequate finances to sell the big house and then purchase a condo in Florida and a condo closer to downtown Chicago?” Secondly, “Do we have the cash flow?” In other words, “Can we carry these two residences without cutting into our retirement plan because we do not want to enjoy this and then run out of money too soon.”

Now, let’s take each of those topics I brought up earlier and break it into more detail. “Do I own it, or do I lease it?” Maybe Jan and Dean are thinking, “Well, maybe we are going to own one and maybe lease one.” What are the advantages and disadvantages?

The advantage of leasing one of those residences is that you do not have maintenance and repair. If something needs to be worked on, you get a hold of the landlord and the property manager, and that is it. Second, you do not have a mortgage. Who wants to take on a mortgage just as they are going through the process of retiring and losing their human capital? It is an easier exit. If it does not work out and we do not like it, or we become frail, it is not that hard not to renew the lease.

However, there are disadvantages to leasing. One is that they want to establish a legal domicile in Florida. Why do they want to do that? Because the state taxes and income taxes are much lower than in Illinois. So, they would purchase in Florida and lease in Chicago if they really wanted to establish a domicile for income tax purposes. Otherwise, the Revenue Department of Illinois would like to dispute that.

Second, cash flow and equity issues. Meaning if you lease it, you are not leaving the legacy. In other words, you are paying all this money, and you do not get anything for it, versus if you bought the condo and it has the opportunity to grow. This could be something that you could leave to the kids or grandkids as part of your legacy. You cannot do that if you lease it.

This is a good question to ask your clients, mainly because, at first, many might be inclined to think, “Well, you know the way I am going to pay for this is to rent it when we are not there.” Okay, but is it going to feel like home? This is just a rule of thumb, but if they are going to spend more than, let us say, two months out each year, do they want to set it up in a sterile mode so they can do a Vrbo, or that kind of thing? This is the big picture.

You could test drive. My job is such that I can work anywhere. So, for four years, we went to Florida. The first two years, we spent a month in St. Augustine, Florida; we loved it. We do not have anybody come to visit us because it is already too crowded. We stayed for January for the first two years. The following two years, we stayed for January and February. That was when my wife finally said, “Why do we not just buy something?”

Now, let's compare leasing to owning. In our case, we own both. There are many advantages and some disadvantages. The advantages are certainly state and homestead. When you buy in Florida, you get to homestead without state income tax. Florida is very favorable on homestead rules. I know some other states, but it would be a consideration for Jan and Dean because they are talking about Illinois with an income tax and Florida without one. I do not know the homestead rules in Illinois, but I know the Florida ones are favorable.

Equity: obviously, you are building up something that you may want to leave for your kids, eventually, and that is your legacy that you are leaving. That could even be a condo. I have seen that in the complex we are in. Some people will leave their condo when they pass on, and the kids are excited about that. It is a great chance to get a foothold.

There are disadvantages or, at least, challenges. You have the issues of maintenance and repair costs. That is very real to someone in their 50s, 60s, or 70s because I was never any good at it. Some people watch HGTV and think they have it all figured out and will repair it. Notice that many of those people are in their 20s, 30s, and 40s, not in their 60s and 70s. So, do you really want to do that?

Then, finally, you have the exiting issue. What happens when you exit either because of frailty, you go into a retirement home, or because you die? How do you deal with probate and some of those things? This can really complicate the situation and be a burden on your kids, but if you handle it right, it can be dealt with. However, if you do not handle it in advance, that is a disadvantage.

One of the most significant disadvantages is how on earth will you afford it? How are you going to finance it if you are going to buy it? You have the embedded cost of moving retirement growth assets to home equity when you buy a place. If Jan and Dean have built up $2 million in net worth and then cut out $300,000 for a place in Florida, can you treat that as a retirement asset anymore? In other words, if you are taking out a systematic withdrawal of four percent a year, you are now taking four percent out of the equity of your newly purchased condo. You are moving some retirement capital if you are financing your own deal; you are cutting into your own capital.

So, you could do a mortgage. There is a good case against not doing this now that mortgage rates are the highest in 20 years. Something that we teach at the RICP program is, in many ways, that a mortgage in retirement is a negative bond. What we are saying is that each year, you are essentially paying seven percent on the mortgage (so you are the bond), and the bondholder is the bank. You are paying them seven percent each year, so you need to make seven percent on your other assets. Otherwise, you will lose on the deal. You need to make seven percent on your retirement capital to be there, and you may be at a stage of life where you want to be in a situation where you are minimizing your risk.

So, if you were able to get rid of a mortgage or not take on a mortgage in the first place, like in this case, it is like a seven percent, risk-free asset. In other words, before, you had this obligation to make seven percent of your money, and now you do not because you are not paying a mortgage, so that is risk-free. Think about this negative bond; it is not a good time in one's life to do it.

Some will say. "Oh, well, yeah, but the interest is tax deductible." Let's do a reality check. First of all, you are not working, so your income is at a lower level, so it is not as big of an issue. Second, so many people will take the standard deduction because, at 65, you get an increased standard deduction. If that's the case, you do not need the mortgage deduction.

The kind of mortgage that could work is a reverse mortgage. That could be a financing tool and where it fits. You can only do a reverse mortgage if you are 62 or older; they are meant for older people. People sometimes need to understand that there is a reverse mortgage for purchase. This is not where you take out a reverse mortgage against the equity of your home, and it pays you like an annuity payment. This is where you take equity in your home and use that to finance a purchase or to pay off a mortgage. You will have the challenge of upfront costs and maintenance expenses, and you must keep the place up. You would, presumably, do that anyway.

Reverse mortgages are great as a long-term financing tool. They are not suitable for a short-term strategy because you must pay some upfront costs. For example, let's say Jan and Dean could get $600,000 for their home in Chicago, and they want to buy a $300,000 condo in Chicago and a $500,000 condo in Florida. With their $600,000 in proceeds, they pay all cash for the Chicago condo. Instead of paying all cash for the Florida condo because they do not want to cut into any more of their retirement capital, they use the remaining $300,000 as a down payment on the Florida condo and use a reverse mortgage for purchase to finance the remaining $200,000. Sometimes, people have a hard time wrapping their heads around this, but what you are doing is instead of making mortgage payments on the $200,000 as you would for a conventional mortgage, you are paying off the remaining $200,000 out of the future value of the condo. That is certainly a doable idea, and it can apply to many people in the right situation.

By the way, you have to be careful at the tax level to make sure that you file timely so that you get the income tax exclusion on the gain of the primary residence, which, because they are a married couple, would be $500,000, you want to make sure you do that.

How to Establish Residency in a New State

This is a topic that I find interesting. People say, "You must live there for six months and one day, right?" It is more complicated.

I learned this ten years ago when I was asked to speak for a well-known high-end or high-net-worth broker/dealer. They were having a fancy lunch at a fancy steak place for potential clients. I was speaking about general retirement planning concepts, and the other speaker was a Florida attorney who covered how to establish residency.

How do you prove to the state that you are no longer in full-time, like New Jersey, New York, Illinois, California, or all of those with some taxes, so they do not come in on audit and say, "Oh, no? You do not only have to pay for your new residence; you have to pay us as well!"

Here are the things you would need to do to prove residency. Get these all prepared in advance, so if they give you the call, you shower them with paperwork, and they will leave you alone. With Jan and Dean, if they decide that they are not going to do a reverse mortgage and they are going to lease one of them, you would want them to own the one in Florida.

Change your car registration, your license plates, and your driver's license. So, during the pandemic, that was one of the first things we did when we moved down to Florida because we wanted to get the clock ticking immediately. The other obvious one is voter registration. Be careful because everyone is so sensitive about where you are voting these days. Make sure you get voter registered in the new residence, domicile, wherever you are, and then, obviously, do not double vote.

What do pets have to do with it? Well, the reason this is important is because of a very noted case that came out a few years ago. A fairly wealthy person was establishing a move from New York to Texas. They were going through all of the kind of stuff that I am talking about right here, but the judge very clearly in the opinion noted that the person had registered his beloved dog in Texas. He commented, "Wherever the dog truly is is your domicile."

If you are going to work part-time or volunteer, do it in the new state. Let's say Dean is still going to work. He should make it clear with all his business stationary or cards and that kind of thing; they should carry the Florida address so he can make it clear that is where he is working as well.

If you have a client that still owns an operating business, maybe in the other state, you have to review how that works. You must show that they are just investors or can do this remotely, and the local managers can handle it. If you run into this, you should get the help of the local estate planning council.

Otherwise, for people who have built up some high net worth, the Californias or the Illinois' of the world are going to go after you saying, "Well, yeah, you did all that other stuff, but the fact is you still own this business that pays most of your bills and that is in our state." So, you have to be careful.

How to establish Residency in New State, continued

- Join social groups, churches, gyms
- Replace last will and testament with one created in the county of new state
- Own the residence in the previous state through a living trust or in an LLC
- File a Statement of Domicile in the new county
- Change addresses for bills, 1099s & 1040
- Reside for *at least* six months each year, retaining receipts or use tracking software

Join social groups, churches, and gyms. It is obvious, but that is just more and more indicative that if you get attacked by the old state, you got it, and that way, you do not have to go to court. Here's my proof.

Here is an important one: you want to replace your last will and testament with one created in the county of the new state. You want to do that irrespective of duking it out with the state authorities because your will will be probated where your true residence is. So, that is something that you should do anyway, even if you do not have a state that wants to charge you income tax.

We are on the 5th floor of a high-rise in Des Moines. I looked at the ownership of the different people there. More than 50% of condos are owned through a living trust. You could do a living trust in both states, but you particularly want to have it in the state you are moving from.

In Florida, you can file a Statement of Domicile in the new county. We filed a notarized Statement of Domicile that we want to be in that county, and that is our residence, and that is where we will do our homestead.

Now, the state you are coming from might say, "We do not care what Florida's opinion is; we are telling you that you are not." But by having that and saying, "Look, we filed this, so why are you bugging me a year later? We have proof."

I missed this one. My 1099 still showed up as being in Iowa. I had not changed those to indicate that my address was Florida versus Iowa. Indeed, on the 1040 you file the following year, you want to show it as the new state.

And finally, reside for at least six months each year in the new state. The six months is not hard and fast; obviously, if you are there more than six months, you have proven to the world, "Well, that is where we spend most of our time." So, what do you do? You retain your receipts or, more realistically, take your Visa bill and that kind of thing to show, "Look, I spent money at such a restaurant starting in October and went through May." That will help indicate six months.

Expenses and Financial Management

What about transportation: are they going to fly back and forth? Are they going to drive? What are they going to do? They also have to maintain both households, even not being there.

Smart apps allow you to change things like your thermostat and Ring cameras so you can check to make sure the home is in good shape. However, it would be best to have a Wi-Fi connection in both places to pull that off. Wi-Fi is not free.

You'll have property taxes on two homes and homeowners' insurance that can be higher in the non-six-month state because that is not your primary residence. We discovered that many property and casualty insurers charge more because they worry you are not there to monitor water and mold if you did not put the air conditioner on low enough, etc.

If you have two condos, your homeowner's association fees are high, so as long as you budget it, fine. If you do not have an HOA, then you pay separately for lawn care, snow removal, security system, your Ring cameras, or ADT home security. Then, property management, especially if you are one of those who will rent one of your residences while you are gone, to help cashflow some of this. You might also have to pay for property management to come in, check it out, and prepare it for renting out on Vrbo.

Just as an example for us, in Des Moines, we did have someone who cleans the building come in once every two weeks and flush the toilets and run the water because these are old pipes and, otherwise, they can get stiff if you do not run water.

Healthcare and Two Homes

The big question is on healthcare insurance: do you have original Medicare, or do you have Medicare Advantage? In many cases, if you are going to live in two residences, it might make more sense to use original Medicare. Because if the Medicare Advantage program is geographically centered in a place, the copays and deductibles for out-of-coverage care could be very expensive.

Also, you must consider your part D pharmaceuticals because will you have the same pharmacy? So, you could do it through a local one in Chicago and a local one in Florida. Is that going to work with your part D, or do you go the mail-order route? They all have solutions, but you have to think through it.

One thing I want to point out is that sometimes people under-budget for their Medicare costs. Your clients who make more than $246,000 a year will pay twice the Medicare Part D and Part B premiums than someone who makes less than $194.000. For example, a couple making less than $194,000 might, for Medicare purposes, budget $2,300, whereas if they are making a quarter of a million, they might have to budget $4,700.

When you are budgeting for healthcare, you have got to think it through. Let us say Jan and Dean are making $200,000. Their Medicare Parts B and D are $3,294 a year versus $2,357 if they made less than $194,000 (the income-related monthly adjustment amount (IRMAA)). Between the additional premium for Medigap Plan G and out-of-pocket expenses of $2,800 a year, it totals $7,700 per person or $15,000 a year they should budget for healthcare. If they plan for a 30-year life expectancy, you are talking about more than $400,000 spent on healthcare during their retirement. Fidelity does an annual study that puts that total around $300,000, but that is ignoring the fact that some people die early, and wealthier clients tend to live longer. These numbers don't include long-term care, caregiving, transportation, or catastrophic events.

Estate Planning and Snowbirds

First, you want to get your property title right. I teach a course on estate planning, and people need help understanding. For example, Florida has tenancy by the entireties, Iowa does not. If you go to Arizona or California, you talk about community property. You know, how are you titling it, and where will it be your domicile? If Jan and Dean say Florida, they must get a will there.

My wife and I have executed powers of attorney in Florida and Iowa. Now, interestingly, Florida does not allow for springing powers of attorney, and Iowa does, so we have a safe that we carry back and forth in our car. We keep the Florida documents in one place and the Iowa documents in another so that if one of us had to go to a hospital, the other could take a power of attorney from that state. It is not like a will where you can have a will in only one place; you can have powers of attorney and your living wills in multiple places.

You want to have probate only in your state of domicile. So, if you have a place like Jan and Dean in Illinois, they should put that condo in either an LLC or a living trust so that when they die, their kids do not have to hire an attorney to go up to Illinois and probate it. That is important.

Be aware that states like California and New York will chase more high-net-worth people around over the issues of their state taxes. So, you want to have all your documentation where your residence is for that reason, too.

For advisors, this is your opportunity to either turn this into a good thing or a bad thing. If you can show them how to have an online meeting with you, then they will stick with you. You will need to expand your knowledge. Still, you could be the advisor in Illinois, learn a little bit about Florida so that you can, at least, talk in general about it, or certainly if they move to a community property state. You do not have to be an expert on all of this; you want to be conversant on it. So, as a financial person, you can work remotely. As a legal person, well, that is more local because I would not want an Iowa-based attorney to create my documents in Florida; I hired someone local. As far as tax, unless you are getting into very sophisticated state tax issues, usually your tax person can be remote as well.

So, if you are a financial or tax person, it is best to do this right and make it easy for them and get them going on tech. The U.S. Mail is hard to make it work right, but if you do everything electronically, it gets a lot easier.

Planning Your Exit

Your clients' go-go years are in their 60s, their slow-go years in their 70s, and then, for most, their 80s are their no-go years. You have heard that, but you have to think about that.

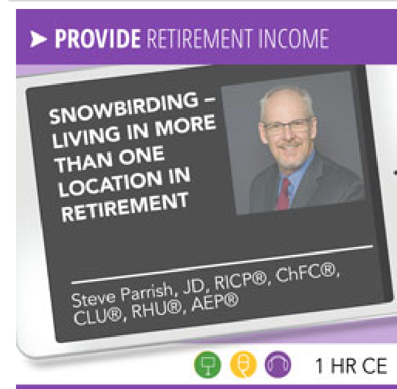
So, what about frailty? You know, what are you going to do if it does not work to get back and forth between Illinois and Florida? What happens if Jan dies or if Dean dies? Typically, that changes the plan. What happens if you have financial changes? I mean, your money went south because of some catastrophic thing.

So, it would be best if you were thinking about alternatives. I have given examples of two condos throughout this presentation, but there are things like active adult retirement communities. So, that in Florida would be the Villages or Sun City out in Arizona, those kinds of things, or the CCRCs where you live through stages of independent living and then assisted care and then nursing care. Then, there are naturally occurring retirement communities as well.

Let's say Jan and Dean use a reverse mortgage with purchase to get their condos in Illinois and Florida. They change their residency. They switched from Medicare Advantage to original Medicare and Medigap; that way, they did not have to worry about it. They keep one car in each locale, then fly back and forth; they find that easier. They still have their financial tax advisors in Chicago, but they have healthcare and doctors in Florida and Chicago, and legal in Florida to do their wills. They are living the good life.

Key Takeaways

- Many retirees want to live in more than one location – to "snowbird."
- Advisors can help by providing information on the financial, legal, budgeting, and tax issues that otherwise can derail a client's plans.
- Financial solutions such as reverse mortgages can help finance the ownership of two residences, and multiple tools exist to help maintain these residences.
- With proper planning, advisors can work with retired clients, even though they spend their time in multiple locations.



Snowbirding – Living in More Than One Location – Steve Parrish

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Steve Parrish is the Co-Director of the *Center for Retirement Income* at The American College of Financial Services, where he also serves as an Adjunct Professor of Advanced Planning. He is also an Adjunct Professor of Estate Planning at Drake University Law School. With over 40 years' experience as an attorney and financial planner, Parrish frequently addresses the financial challenges of individuals, business owners and executives nationwide.

Steve Parrish is an expert on retirement, estate, and business owner succession planning. He is a recognized industry authority, spokesperson and author serving as an ongoing columnist for Forbes.com.

Parrish has served as an expert source for such prominent media outlets as InvestmentNews, Money.com, Kiplinger, MarketWatch, Wall Street Journal Radio, USN&WR, HR Magazine, and the Retirement Income Journal. He is also an Associate Editor of the Journal of Financial Services Professionals. In addition, he is a sought-after speaker with bar associations, estate planning councils and state AICPA meetings. He has addressed such financial service organizations as MDRT, AICPA, Finseca, NAIFA, INC 5000, and Society of Financial Service Professionals. Parrish also addresses numerous business organizations nationwide and has served as an expert witness.

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Investing for Prosperity and Posterity: Building an ESG Retirement

Russell Wild, MBA, Principal of Global Portfolios

Editor's note: This article is an adaptation of the live webinar delivered by Russell Wild in 2023. His comments have been edited for clarity and length.

You can read the summary article here as part of the October 2023 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

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By Russell Wild, MBA, Principal of Global Portfolios

In this article, we will look at the true nature of ESG investing and how it is commonly misunderstood. We'll ascertain whether it is a methodology or an ideology, review the track record of ESG investing, and its implications for the future. We will also learn how to add ESG criteria to an existing portfolio or build one from scratch. We'll wrap up by reviewing some of the controversies around ESG.

ESG. Environment, Social, Governance. You cannot get away from it these days. Everywhere you turn, whether it is financial journals, the mass media, *The Wall Street Journal*, *The New York Times*, Fox, or MSNBC. ESG has become a powerful force in the financial world. It has almost become a household term. Depending on who you ask, ESG might be a powerful wizardly force that will save the world, or it is evil to the core and threatens not only to destroy capitalism but perhaps civilization as we know it. I submit it is neither.

When I first became a financial planner 20 years ago, and a financial journalist years before that, I was astounded at how many studies there are, good, solid economic studies on portfolio construction. I will start with a detour or quick refresher on what makes for sound investing.

Studies show that, first, for each investor, we need to find the suitable risk/return sweet spot. If we are working with a retiree who is 70 years old and has $3 million in the bank, we are not going to invest his money the same way we would invest the money of a 30-year-old with $70,000 in the bank. We know that markets are largely unpredictable, and therefore, it behooves us to diversify, diversify, diversify. At the very least, depending on the size of your portfolio and the complexity, we want to diversify within those stock and bond asset classes.

On the bond side, we want long-term bonds, short-term bonds, treasuries, and corporates. On the stock side, we want U.S., international, large-cap, small-cap, and perhaps value in growth and all different industry sectors. We know that costs matter and matter a whole lot. Keeping cost management fees to a minimum is critical. Trading, we know, has hidden costs. There are middlemen in there who take a penny here and a penny there. Of course, frequent trading often leads to unnecessary taxation.

Finally, we know that a portfolio needs to be regularly rebalanced; otherwise, your risk/return sweet spot can move too far from its original point. Rebalancing helps keep your risk in check, and, in the long run, by forcing yourself to buy low and sell high, you are going to juice your returns.

Integrating ESG Principles into a Portfolio

How do you integrate the ESG principles into the kind of portfolio that we have been talking about? Can you offer a financial plan to clients that genuinely excites them because it promises not only profitability but also to match their values and personal goals much more than any traditional plan ever could? The answer to that is yes, you can.

If you are a company manager, you should try to add these criteria to a business strategy. Why? Because you believe that sustainable companies can be more profitable, you want the world to be a better place, and you believe that business can play a role in making that happen. You want a company that will impact climate change as little as possible, perhaps help slow it. You want to limit your pollution and waste. You certainly want to refrain from doing anything to contribute to deforestation, rare resource depletion, or biodiversity loss. You are going to use renewable energy wherever and whenever possible.

On the social front, human rights, workplace safety, diversity in the workplace and on the board are important to you. You are going to engage with your local community. You are going to act ethically, whether it is here in the U.S. or abroad, where you might hire a subcontractor who is going to use child labor. On the

governance front, you want ethical leadership, transparency in your company's operations, and accountability. You want to make sure a company's financial reporting is clear and accurate.

As investors, we will look to invest in companies that do this integration. We might invest in the company's stocks or bonds. If it is not yet clear, the answer to the question as to whether ESG is a methodology or ideology, is that it is both. ESG factors have been taken into consideration since forever. It is an integral part of due diligence. How can you invest wisely without knowing whether a company may be subject to IRS fines, labor unrest, worker lawsuits, consumer boycotts, or higher cost of capital because of investor disgust?

You want to know how loyal customers are, how loyal a worker is, and how clean their books are. As for the environment, the bankruptcy of Pacific Gas and Electric, PG&E, just a few years ago shows that you cannot ignore liabilities resulting from massive wildfires. A company's sustainability is critical to successful investing in the long run.

How Did the E, the S, and the G Come Together?

Where did this come from? Although it did not come from one place at one time, in 2006, the United Nations introduced an initiative called the Principles for Responsible Investment. That is really where the term ESG started to become popular. The U.N. launched the Principles for Responsible Investment as a set of voluntary guidelines for incorporating ESG factors into investment practices.

Here is the beginning of the mission statement for the Principles for Responsible Investment.

"We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole." That does not differ very much from what Adam Smith said in 1776. He said capitalism, the invisible hand, and the free market would benefit investors, labor, consumers, and the world's nations, which is why he called his book *Wealth of Nations*, not *Wealth of CEOs*. In Smith's words, capitalism should "benefit the overall interest of society." Now, Smith was not an economist because economics had yet to be born. He was a philosopher.

Two hundred years later, in the 20th Century, the most highly respected economist, John Maynard Keynes, also talked much about sustainability. As one biographer of Keynes, Eric Berr, said, "Numerous writings of Keynes contain the premises of sustainable development. Our positions on uncertainty, money, and economics are consistent with a strong sustainability-based approach."

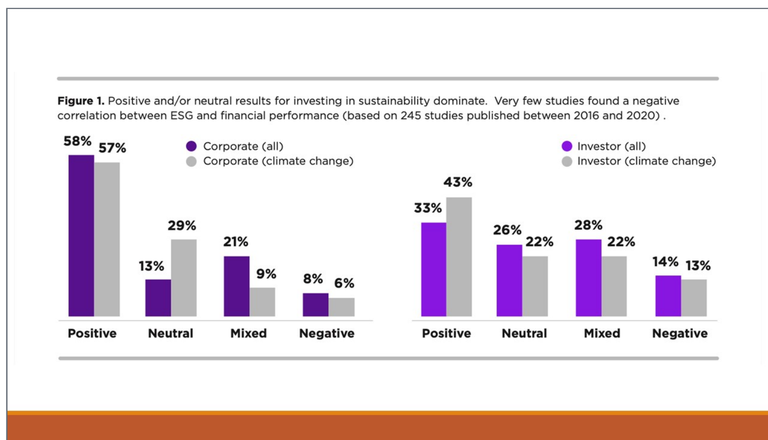
Why is ESG Then So Controversial Today?

The U.N., Adam Smith, and John Maynard Keynes all said that businesses that are successful in the long run tend to improve the lot of humanity. It is a feel-good sentiment. Who could be against it? Yet today, ESG has just become very, very controversial. I am going to review at a high level the points of controversy, and then we are going to go back to each one and look at it in some depth.

Perhaps the largest controversy, and the one that concerns some the most, is the profitability of ESG. Can an ESG portfolio be profitable? Some argue that a company's primary and only focus should be on maximizing profits. They fear that ESG integration negatively impacts financial performance. Adherents to ESG, on the other hand, say that ESG criteria enhance due diligence and, like Smith and Keynes, say that sustainability is key to long-term profitability.

Some say that ESG is poorly defined, has some points of subjectivity, and lacks investing standards. Others point to "greenwashing." They say ESG is most profitable to the ESG raters and fund companies. Finally, ESG, in the last few years, has been accused of being woke.

Let us look at all of these controversies, starting with profitability. The most expansive, in-depth study I know of was done by New York University (NYU) Stern School of Business in 2021. They looked at 245 studies, but among these studies were many meta studies that included dozens of studies. They looked at virtually every respectable study done about ESG between 2000-2022. Below is what they found.



Twenty-eight percent of the studies showed that corporations that pay attention to ESG criteria are more profitable in almost six out of 10 studies and less profitable in less than one out of 10 studies. About 13% of the studies were neutral, meaning whether they adhered to ESG or not, those companies tended to make about as much as other companies in the field. It did not matter much. Twenty-one percent of the studies had ambiguous findings, unclear which way they went.

The gray lines are those are companies that focused on climate change. You can see that the numbers do not change that much. Companies that focused on climate in 57% of the studies were more profitable. Only in 6% of the studies were they less profitable.

It is fairly clear that companies that pay attention to ESG are maximizing profits. Those who argue otherwise and say a company's primary and only focus should be on maximizing profits often cite Adam Smith without having read Adam Smith. They say that a focus on ESG can lessen profits, but the studies do not show that to be the case. The opposite is the case. Companies operating sustainably are overall more profitable, as indicated by six out of 10 studies.

Why are these companies more profitable? According to the NYU Stern researchers, it is because they have better protection from risks. For instance, had Pacific Gas and Electric been looking more closely at the risk of forest fires, they may not have gone bankrupt. There is also more innovation in these companies. They have lower costs due to recycling and reuse. They have better labor relations and more loyalty among consumers. NYU followed up their study with another study that showed that in recent years, consumer products labeled as sustainable have grown at twice the rate of conventional products despite an overall price premium of more than 25%.

Do ESG Investments Perform Better?

If we invest in these companies, will we do better? Warren Buffet has often said, "Great companies do not necessarily make great investments." The kind of companies we want to work for in exciting industries, moving forward and earning profits, are called growth companies. Actually, throughout the course of history, they have underperformed value companies. The question is, are these companies more profitable for investors?

The same NYU study above found that the answer is yes, but not quite as powerful. Thirty-three percent of the studies found that investors with ESG portfolios do outperform the market at large. Only 14% of the studies found that ESG investors earn less. A lot was in the middle. A lot was ambiguous. Twenty-six percent showed that whether you have an ESG portfolio or not does not matter, and 28% of the studies were uncertain. Focusing on climate, the numbers become stronger.

I get it that ESG companies are more profitable. Here, I am not so sure.

You may have seen one of these Skittles charts before. Each of these colored squares represents an industry sector within the United States. It shows how they perform vis-à-vis other industry sectors every year. The NYU Stern study looked at studies between 2016 and 2020. It just so happens that in four of the five years before 2021, the energy sector was the lowest-performing sector of all U.S. sectors.

If the study were done now in 2023, when in the last two years, the energy sector outperformed all other sectors, we might see different results.

In the end, whether you invest in ESG or not, keep in mind that it is a mushy term. In the long run, you cannot plan to underperform or outperform the market at large. In the long run, those things we looked at earlier, costs, diversification, rebalancing, and proper risk-taking, are all going to be much more important than whether you go out of your way or not to overweight or underweight ESG companies in your portfolio.

Other Controversies and ESG Funds

One of the strategies with ESG funds is to do what is called "negative screening." ExxonMobil and Chevron will often be underweighted or eliminated from portfolios. Well, the energy sector is only 5% of the U.S. economy. Whether you underweight or overweight that 5% position, provided you have a well-diversified portfolio with lots of other industry sectors, it is not going to matter that much.

Now, let us look at the next controversy, which is ambiguity in ratings. ESG ratings are all over the map because some ESG rating firms, such as ISS, MSCI, Sustainalytics, Bloomberg, and S&P Global, emphasize E over S. Others emphasize S over E. Some of them look at absolutes. That is, they will include in their portfolio the best in class, the best petroleum companies, and the best pharmaceutical companies. Others are going to look more absolute. They will include the companies that emit the least greenhouse gas and eliminate those that emit the most.

The ratings are improving, but you will get different opinions. You will not get the same reviews, just as with car ratings and Consumer Reports versus Car and Driver. The difference in ratings does not make them useless. They are still helpful. Just last week, I was out shopping for a nonstick pan, and I looked at the reviews on Wirecutter. I looked at the Amazon reviews. I talked to the salesman in my local cook shop. They all had different reviews, but they were all helpful to me in making my decision.

Another controversy is greenwashing. No one can deny that ESG has been and continues to be used as a sales tool. In some cases, deceptively so. Companies say they have lofty targets to eliminate CO2 emissions by 2030 or 2035, but then they do nothing. Fund companies sometimes do very minimal screening and then charge more for funds simply because they have ESG in the name.

You must take note of flooding coastlines, droughts, and forest fires related to climate change to invest wisely. As a recent Goldman Sachs statement put it, events like oil spills, water contamination, and improper waste disposal, which can be mitigated through environmental controls, not only carry substantial headline risk but also can be a major detriment to the bottom line. Due diligence in fiduciary standards requires consideration of many factors. You cannot focus on ESG factors alone, of course. Nor can you neglect to address ESG factors, which are more than pertinent to the bottom line.

Can ESG investing do something to slow or halt climate change? Can it bring more social justice or slow the world's deforestation? Yes, I believe it can. It is very well documented that consumer and investor actions throughout the years have brought positive social change.

Practical Advice for Financial Advisors and ESG Funds

Yes, there is a lack of standards. Yes, there is greenwashing. Yes, there is a whole lot of misinformation out there. Still, there are many avenues to use ESG as part of a successful financial planning process. You need to know how to avoid the pitfalls, make the right moves, and, above all, you need a strategy.

The decisions you always make in investing are certainly pertinent to building an ESG portfolio. You must decide, first of all, whether you are going to invest in individual securities or funds, mutual funds or ETFs. Are you going to go with an active approach or a passive approach?

Beyond that, you must decide what ESG strategy you will use. The most common strategies are:

- Negative screening
- Positive screening
- Direct engagement, and
- Proxy voting.

You can use one. You can use two. You can use three or all four.

Negative screening is perhaps the most common. Negative screening means, as we discussed earlier, you are underweighting, or you are eliminating what you consider to be the most poorly rated ESG companies. By the way, Morningstar Direct does a very good job of looking at funds and rating them as to how well they address ESG issues.

Positive screening is the opposite of negative screening. You are going out of your way to find dynamic companies that are perhaps using or developing new forms of alternative nonpolluting energy or figuring out ways to clean the oceans of plastics. With negative screening, you are looking for companies to eliminate, such as polluting coal companies or companies that subcontract out to far Eastern concerns that hire child labor.

Direct engagement means you are engaging with management to make sure that they are setting ESG goals, and they are achieving them. Proxy voting means you are voting for proxy measures that will make the company more of an ESG company.

Whether you go with funds, whether you go with individual securities, regardless of which strategy you use, screening or direct engagement, you want to educate yourself first. These are some very good sources to educate yourself. Gitterman Asset Management has online courses. The Sustainability Accounting Standards Board offers education and certification. Harvard Business School offers a reasonably priced six-week course on sustainable investing. Now, the CFA Institute, which we are all familiar with, offers a certificate in ESG investing.

If you go with funds, the question always is, do you go with an active approach or a passive approach? If you go with the active approach, these fund companies here, Brown Advisory, Calvert Group, Domini, Franklin Templeton, Impax Asset Management, Invesco, Northern Trust, Nuveen/TIAA-CREF, and Parnassus all have a good track record of running actively managed ESG funds, both ETFs and mutual funds. They are not guilty of greenwashing. You can have trust. They have, by and large, very good track records. If you are going to go with an active approach, you can do a lot worse than going with one of these companies.

There are certainly many more, and you might start with Morningstar and Morningstar Direct and look at their suggestions for which fund companies they give the best ESG ratings to. Now, one caveat. I am the author of not only *Bond Investing for Dummies*, but *Index Investing for Dummies*, and *ETFs for Dummies*. I am an index investor at heart because study after study shows that index investors, in the long run, do better than active investors.

If you go with an active approach, you are probably going to do a little better as far as having an impact on the world at large, but in the long run, you may underperform the market. Even though some of these companies have great track records, over the long run, you may underperform the S&P 500. I do not think it would be by very much, but I do have to throw out that caveat.

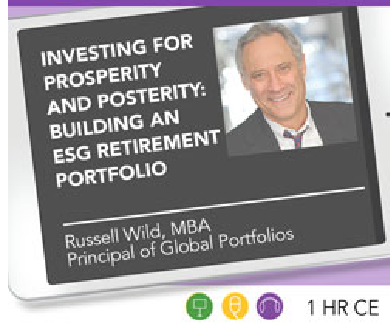
You can go with a passive approach, such as low-cost index funds that use ESG indexes. There are, however, different companies to consider, and they are both good and bad. I look first at these companies here that have high ratings from Morningstar, that have studies that show that they do vote their proxy votes in favor of ESG proposals as opposed to these companies that do not.

One thing you should keep in mind is that ESG is not the Three Musketeers. It is not one for all and all for one. You can focus on E, on S, or G, or none at all. It is not impossible to vote for your values. You do not have to go for the whole United Nations ESG package. There are plenty of funds out there that offer you the option of

voting, just going with E, or going with S. If E is more important than S, environmental concerns are really where your heart or your client says, "I am really concerned about global warming," you can choose one of these low-cost ETFs. KraneShares Carbon Strategy ETF, Invesco Global Clean Energy, or Xtrackers US Green Infrastructure Select Equity ETF.

If S is more important to you than E, there are plenty of funds to choose from, such as the YWCA Women's Empowerment ETF, the BNY Mellon Women's Opportunities ETF, and Impact Shares NAACP Minority Empowerment ETF.

Solid investing and due diligence on the part of advisors always has and always will incorporate ESG factors. It is not some strange, extraneous thing. Companies that operate sustainably have high ESG scores and tend to be more profitable. ESG investing should incorporate all the basic do's and don'ts of fundamental investing. The E, the S, and the G can be grouped or separated. They are not like the Three Musketeers, all for one and one for all. You can invest your values.



Investing for Prosperity and Posterity: Building an ESG Retirement Portfolio – Russell Wild

About Russell Wild, MBA, Principal of Global Portfolios

Russell Wild, MBA, is the author of Bond Investing for Dummies, Exchange-Traded Funds for Dummies, and Index Investing for Dummies. He is the principal of Global Portfolios, a fee-only investment advisory firm based in Philadelphia, Pennsylvania.

For many years, he has researched the world of sustainable investing, and has used ESG criteria to build solid client portfolios.

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The “Shadow Caregiving System”

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Editor’s note: This article is an adaptation of the live webinar delivered by Carroll Golden in 2023. Her comments have been edited for clarity and length.

You can read the summary article here as part of the October 2023 Retirement InSight and Trends Newsletter, worth 1.0 CE when read in its entirety (after passing the online quiz.)

You may also choose to take the full length course The “Shadow Caregiving System”
for 1.0 hour continuing education (CE) credit.

By Carroll Golden, CLU, ChFC, CLTC, CASL, LECP, FLMI, LACP, the Executive Director, Limited and Extended Care Planning Center (LECP Center) for the National Association of Insurance and Financial Advisors, C. Golden Consulting, LLC

Suppose your clients are part of this physical, psychological, and financially costly Shadow Caregiving System. In that case, I hope to give you some insight into what is happening on the federal and state level.

Like many of you, I have been a caregiver. And I suspect I will be one again in the future. I had an experience with my in-laws, which was a lesson in what can go wrong, and an experience with my mother. That was a lesson in what can go right. Because of these experiences, I created three steps to help individuals and generational families work with a financial professional to create a stable and extended long-term care plan.

Let’s spend a moment on the definition of terms. If you are hearing LTC, it is probably because that is what the insurance industry regularly uses. On the other hand, academic, public policy, and government publications tend to use LTSS for long-term services and supports. We are all talking about the same thing.

The other thing I want to review with you quickly is the activities of daily living, which are often how a claim will be adjudicated, if not through cognizant problems of any sort. Think about what you do when you get up in the morning. You get out of bed, and that is transferring. Suppose there is incontinence that has to be dealt with. That is two. Otherwise, using the toilet is three. Showering, that is four. Then you get dressed, five. And then there is breakfast, six. So they are easy to understand. But it is important that you recognize that they truly are just activities of daily living.

The Shadow Caregiving System

The Shadow Caregiving System is a bumpy journey. Do we expect it to grow? How will it influence your clients and individuals in your practice?

In a new 31-page report entitled *Valuing the Invaluable*, AARP paints a very vivid picture of the current state of family caregiving in the US. It is an update of their 2019 survey. The organization’s public policy institute found that in 2021, about 38 million family caregivers in the US provided an estimated 36 billion hours of care to adults with limitations in daily activities like the ones we just mentioned. The estimated economic value of their unpaid contributions was approximately $600 billion. And that is up substantially from their 2019 survey.

By 2034, AARP notes that adults aged 65 and older will outnumber children under 18. And that is for the first time. Why is that important? That tells us that there will be a continuation of a shrinking number of caregivers because the relative number of older adults who potentially need long-term care will outnumber the number of younger adults available. In addition, family caregivers will continue to face the dual demands of employment, planning for their retirement, and caregiving responsibilities. That is when we often hear about the expression sandwich generation. However, most of us are talking about panini. As you will see, with longevity, many more generations are living a longer time.

What exactly do I want to say about the caregiving system and the caregiver’s role in that system? It does not happen in a straight line. And I am sure that some of you have had this experience. It is unique to each person. It is unpredictable. And it is quite personal. Many of your clients will have to take on the role of caregiving. And they will have to act, even if they hire someone to help. They are still going to have to act as an information coordinator. They will have to try to understand the confusing maze of medical and financial complications that continue to develop and change. Many studies say that when there is a financially stable plan in place, it can provide caregivers with the feeling of a more emotionally close relationship to the whole experience and a sense of purpose.

This chart tells a great deal about the Shadow Caregiving System. Who among your clients, family, or friends do you think are participating in the Shadow Caregiving System? There are now four generations participating in the system.

The Shadow Caregiving System

	2020 (n = 1,392)	2015 (n = 1,248)
Generation Z (born 1997 or after)	6%*	–
Millennial (born 1981 to 1996)	23%	23%
Generation X (born 1965 to 1980)	29%*	25%
Baby Boomers (born 1946 to 1964)	34%	39%*
Silent/Greatest (born 1945 or prior)	7%	13%*

** Significantly higher than comparison year.*

Note: Results are rounded and don't know/refused responses are not shown; results may not add to 100 percent.

https://www.aarp.org/ppi/info-2020/caregiving-in-the-united-states.html

7

According to a US Bureau of Labor statistic, by 2031, most of the workforce will be comprised of the Millennials and Gen Z generations, with Millennials making up 40% of the labor force and Gen Z making up around 30%. You must help your clients, family, and friends get ahead of this curve. If you look, you will notice that in 2020, there was a shift in caregiving from the Silents and from the Boomers as well to the Millennials and the Gen Xers and Generation Z. Now, if we saw that shift in 2020, what do you think we'll see by 2023 or 2029? It will continue to go that way.

The point is that the Shadow Caregiving System is comprised of people who are working. Family caregiving is America's other Social Security, noting that family members provide more than 95% of nonprofessional care for older adults who do not live in a nursing home. And if you look at the third bullet down, 64% of them work full time.

Let us assume for the sake of argument that your client or family member can afford to hire a professional or semiprofessional caregiver. Remember, there are still a lot of coordination and psychological aspects to an unpredictable, bumpy, if you will, care journey. For example, a caregiver oversees the organizational aspects of the care recipient's finances, such as paying bills, managing investments, preparing taxes, handling insurance, monitoring accounts, and so on. Looking at the last bullet on the slide, they are also at the same time trying to save for their retirement and their plans. It is complicated by the fact that many are helping to provide support to their families or family members.

So, some of your clients may be doing more than just handling the finances of care recipients. They may be quietly spending their own money on caring for or providing care for someone. According to the Age Wave Caregiving White Paper, 52% of caregivers have no idea about the total amount that they have spent to date on caregiving-related expenses. And I can tell you, when I was a caregiver, I did not keep track. Some of these expenses included homecare, transportation, and paying bills. They were everyday household expenses. Just the general upkeep and even costly medical expenses it was too much to write it all down. And add to that career disruptions that unsettle a person's retirement and investment plans. It is just not a pretty picture.

The Complexity of the Shadow Caregiving System

Even in the case of long-term marriages, for example, boomers are more likely to be alone in their later years. It may be through divorce, widowhood, or they were never married. There is a decrease in the number of children that boomers had compared to previous generations. What is the result of that? A shrinking caregiver pool.

Now, let us look at the gender split. Women fill and are likely to continue to fill most of the caregiver roles. There is an AARP 2020 study that is significant to mention because it reports that women now own 51% of small businesses. Well, that translates to over 12 million businesses that employ over 10.1 million workers.

However, there are some differences in how men and women handle the role of being a caregiver. In general, now, men hire out more of the personal, physical aspects of caregiving, like showering their mom or that sort of thing. And regardless, that can directly impact their work performance. When you hire someone, you still have to make sure they show up, are doing what you expect them to be doing, and that the person you care about is comfortable with having that person in their home and helping them.

Then there is the financial aspect. The bottom line is whether your client or your friend is a male or a female, they will likely be a caregiver or a care recipient. When talking with them and asking them for information, I have found that many caregivers feel their glass is half empty. But as a financial professional, if we acknowledge and discuss financial issues that they encounter, you can make them feel, frankly, that even if the glass is half empty or worse, it is refillable. There are options.

Cost of Shadow Caregiving Trends

Longevity and demographics play a significant role in the growing Shadow Caregiving System. And the effect of those two realities also plays an increasing role in the cost of care.

According to the US Department of Health and Human Services Administration on Aging, we know or we suspect that the average woman needs long-term care for 3.7 years and men for 2.2 years. But I want to caution you that you need to keep in mind that before moving into, say, an assisted living community or upgrading to a skilled nursing facility, these people are likely to have had some homecare, probably provided by a family member or a combination of a family member and a paid caregiver. So, the numbers here are influenced by the complex makeup of today's caregiving system.

For example, these numbers can be varied based on married versus solo ages. The one thing that I suspect everyone has in common is, of course, the desire to age in place. COVID-19 made everyone aware of staffing shortages and family challenges, especially regarding facility challenges. Even those who self-insure, which is not really insurance since insurance is a pooling of money. However, in this case, it is your client's pool of money. But even if they are willing to deplete that personal pool of money, one has to ask, "Will qualified or trained help be available for hire?" And the minimum number of hours that they require is growing. Why?

None of us are surprised by the increased cost of hiring help. Looking at the chart below, we see that for a homemaker, it has increased to 10% year over year between 2020 and 2021.

Cost of Home Care

Type of Service	Rate Type	2021 National Median Values	2020 National Median Values	Year-Over-Year Increase	Five Year Annual Compound Growth R
Homemaker	Hourly	$26	$24	10.64%	5.39%
Home Health Aide	Hourly	$27	$24	12.50%	5.92%
Adult Day Services	Daily	$78	$74	5.41%	2.78%
Assisted Living Facility	Monthly	$4,500	$4,300	4.65%	4.40%
Nursing Home Semi-Private Room	Monthly	$7,800	$7,650	1.96%	2.93%
Nursing Home Private Room	Monthly	$8,910	$8,700	2.41%	3.25%

Source: Genworth Cost of Care Surveys 2017-2021; Conducted by Carescout®

For a home healthcare aide who can participate in a telehealth conference or take blood pressure, costs increased by 12.5% in one year. Even looking at the last column on the right, the five-year annual compound growth, we are looking at, in terms of home healthcare, just flirting with six percent. And for a homemaker, well above five percent. It outstrips all of the other cost of care increases. I could assume a four percent increase for 2022. On an annual basis for either the home healthcare aid or maybe for an assisted living facility (ALF), you are looking at $60,000 as an average now, with no further increases, pulling from that pool of money every year.

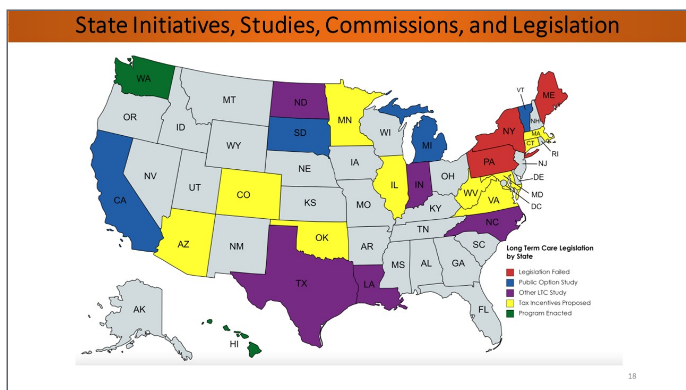
There was a financial wealth management fellow, David Johnson, who works with a firm in New Jersey. It was worth sharing his quote with you. "You can borrow money to buy a home, a car, and for college. There is no bank on the planet willing to lend money to finance someone's retirement." And I want to add to that, "or finance their long-term care needs."

Federal and State Initiatives, Studies, Commissions, Tax Incentives, and Legislation

The federal government and especially the states are facing a growing financial shortfall in funding the costs of care and extended long-term care.

Let's start with the federal picture. For over 30 years, federal policymakers have put forth various public insurance plans for LTSS. (Remember, it is the government. So, I am using their terminology). None of these proposals, such as the 1988 Long-Term Care Assistance Act, the 1988 Life Care LTC Protection Act, the 1990 Pepper Recommendations, or the 1993 Clinton Health Security Act, made it out of Congress. More recently, on a federal level, the Class Act was passed as part of the Affordable Care Act. But it was subsequently repealed in 2013. So, the federal government has been unable to move forth with a national program.

Now, let us look at what the states are doing. This map speaks volumes.



There are various and different approaches from coast to coast. As you can see, about 24 states are at some point in dealing with funding the long-term care needs of their constituents. Certainly, concern for the Medicare budget impact is beginning to affect state budgets. At NAIFA, I handled the limited and extended care planning centers. It is one of the centers where we have a subgroup called the Legislative Working Group (LWG), which is made up of quite a variety of carriers, brokerage agents, and advisors.

At NAIFA, we have a tool that tags long-term care issues. There were 27 tax and incentive bills in April 2023, and now there are 73. The most exciting part, for me, on this entire slide is the product innovation. We have eight different product innovations that help increase care in states, for consumers, for all of us, for FAs, and for those who want to see people plan. That is very, very encouraging.

I now want to turn to the only state that has enacted legislation. The WA Cares program in the state of Washington encountered several serious challenges, and it caused a delay in starting the premium assessment collection. I give the state of Washington much credit for bringing forth the rather serious financial shortfalls that states are facing in funding Medicaid., and let their constituents and residents know their concerns about the caregiving personal shortages and the need to coordinate caregiving services and supports. Because this is an employee-funded plan, employees had until November 1, 2021, to apply for an exemption. There was a tremendous number of people who applied for an exemption. This caused some of the carriers to curtail their program or to stop entirely to be able to issue policies by that November 1, 2021 deadline.

As of July 1, 2023, they are going ahead with the premium assessments or .58% of *all* W-2 income. There is no cap or limitation. When I say all income, I mean including commissions, bonuses, or stock options. If, for some reason, a client is growing in their career and moving up and up in the amount of compensation that they are earning, and they look at the maximum lifetime benefit of $36,500 (adjusted annually by the CPI), you could see why some of them wanted to say, "I want to compare private insurance to this publicly-funded program." Thus, many of them did.

Now, I want to move on to the California Long-Term Care Task Force. Many people in California are worried about funding long-term care, especially if they did not start early or have yet to work with a financial advisor to know their options and how to go about it. Governor Newsom signed AB 567, establishing the California Long-Term Care Task Force. They have been charged with coming up with options to deal with the many complexities of a publicly-funded long-term care program.

They did learn a lot from the WA Care program. They tackled things like portability. In Washington, you have to live there to access the benefits. But only some people want to retire to the state they live in. They also tackled the ability of the self-employed or gig employees to participate, coordination with supplemental private long-term care policies, and the impact on various insurance riders. Here are the five proposals they came up with.

State Initiatives, Studies, Commissions, and Legislation

The California Long Term Care Task Force

CA

Task Force Proposed Options

Supportive LTC Benefits	Home & Residential Care	Lower Range Comprehensive	Mid Range Comprehensive	High Range Comprehensive
• $36,000 • Over 2 Years • 18+ • No EP • 5Y Vesting • Full Portability • Supportive LTC Benefits • Home and facility care not covered • Contribution Cap • Contribution Waiver	• $110,400 • Over 2 Years • 65+ • 90-Day EP • 5Y Vesting • Partial Portability • Supportive Benefits+ Home & RCF care. • Contribution Cap • Low income does not participate	• $36,000 • 1 year • 18+ • No EP • 10Y Vesting • Partial Portability • Supportive Benefits plus Home & RCF care. • Inspired by WA Cares • Contribution Cap • Contribution Waiver	• $81,000 • 1 Year • 18+ • No EP • 10Y Vesting • Full Portability • Supportive, Home & RCF care and skilled nursing facility benefits • Contribution Cap - NONE • Contribution Waiver	• $144,000 • Over 2 Years • 18+ • No EP • 10Y Vesting • International Portability • Supportive, Home, & RCF care, and skilled nursing facility benefits. • Contribution Cap • Contribution Waiver

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I want to call your attention to the home and residential care (see the third bullet down) because it is the only one that begins for a person aged 65 or older. For the others, eligibility to access the program benefits start as early as someone turns 18.

There are tremendous differences in these programs. However, they are being analyzed for the fiscal viability and sustainability of each of these options. And we expect to see a report around January of 2024.

Minnesota is one of the first states that spent quite a bit of time feeling that educating their constituents, their residents, was very significant in helping them to understand that they need to plan for long-term care or extended care. "Well, the problem is that we have many people who will live a long time. And they have not prepared in terms of their planning and the financing of that long life." Minnesota issued a very comprehensive RFP. Three excellent companies are exploring various options for middle-income residents. They also created a Minnesota LTC consulting panel. I am pleased to mention that I am participating in that panel.

Maine decided to go a different direction and had a ballot initiative. They thought from early polling that this would pass. Their approach was to have it funded not only by individuals with income over a certain amount, but employers would also be funding it and a tax-on-investment income reduced by a payroll tax paid. Even though they thought the ballot would pass, it failed in November 2018. But it does not mean that other states may or may not consider that route.

Another way of approaching the whole issue of funding and helping and providing care is the way Hawaii approached it. They focused on funding the caregiver as opposed to the care recipient. It focused on expanding home and community-based services. Their program is designed so that a caregiver who worked a specific number of hours outside the home and a specific number of hours taking care of an aging person could receive a stipend to supplement their income. Of course, the program never got off the ground because it was supposed to start in 2019.

Working with Multigenerational Families

Now, let's focus on the present. What approach will help you become a multigenerational financial professional? What will help individuals plan for family care? Remember, your client, your brother, or your sister is part of the family, no matter how they define family. As we move through life stages, family members care for one another. And caregiving does not happen in a vacuum.

What are you seeing in your practice? What are we seeing in our families? Family caregivers who provide care for 21 or more hours a week report that managing the caregiver's finances is highly time-consuming. I had that experience.

Caregivers across all ages, among both high and low-income caregivers, among all marital statuses, and among those who had a choice and those who did not have a choice in providing care, report they have significantly worse health. Most caregivers recognize that it impacts their financial future.

So, how do you approach, start, and continue the conversation? Caregiving storytelling is most effective.

My story is about the Jones family. There are four generations in this family. And typically, the ones who approach needing care are silent agers. It is often a taboo family topic. Every generation worries about it. Many caregivers feel it will be a half-empty glass, if not worse. Storytelling is how you can make them feel that it is refillable.

Let's look at how this would work. Jodie is a Boomer with parents who are part of the generation that doesn't want to talk about aging. Her parents do not talk about it and how she is helping them. But neither does Jodie talk about it. It is not uncommon.

Many of your clients and friends may not tell you that they are or expect to be a caregiver. Often, a caregiver starts as a casual helper. But it morphs into a more significant role. And as it morphs into a more significant role, there is usually real difficulty in starting the conversation. This is the reason I developed the following three steps:

- The Care Guide
- The Care Squad and
- The Care Planning Team.

I do not care if you use any or all of them. But I hope you will personalize them, and one way or another, it will eliminate people trying to plan without discussing and without any cooperation.

Let us start with the care guide as a picture of the present and a window into the future.

Nicole, who is the granddaughter, discovers that Grandpa is very ornery. He is not going to participate. He says, "You know, I have been able to manage this for grandma and my whole life." And she says, "But grandpa, that is the point. You have been in control. If you do not share anything, how will we know how to keep you in control or respect your wishes?" And so, Grandpa starts to think about that.

Then her brother says, "Well, what if it is you who needs care? Does grandma know where all the passwords are and the information and documentation?" Grandpa begins to internalize this and realizes that I must do something here. And then they close off with, "Let us all do it. Let us make this a family project." And that pulls him over it.

The second step is the Care Squad. Grandpa says, "Okay. If we are all doing it, I will do it." With the care squad, it is straightforward. When family members have an assigned responsibility, there is considerably less stress and more cooperation. Grandpa shares a story about a friend who told him that when family members visited him, they sucked all the oxygen out of the room because they did not have anything to contribute other than their stress.

The financial professional can gain a good deal of insight into the family structure by helping them create a care squad. For example, Grandpa's grandson was promoted, and he moved away from the family. He can still have a responsibility. Bills are issued, reviewed, and paid electronically. Nicole, who took on a very big new project at work, can be in charge of the phone tree, which does not require her to take time away from her work. There is no doubt that technology will enhance our ability to age in place. But only some people are comfortable with it. And it can be expensive.

Grandpa's grandchildren, for example, Nicole and Eric, want to use an app to store the care guide. Grandpa wants to go old school and stick it in an envelope. We are all Zoomed out. But it is a very helpful tool to build relationships with other generations.

Now, the care planning team and, in this case, Jodie's husband, Jackson, have a long-term friend who lives nearby. As a care squad member, the friend is asked to handle Jodie and Jackson's home while they are away. The financial advisor gets to know Jackson's friend, who turns into, of course, a potential client. He also gets Jackson to participate in the Care Planning Team (CPT). The CPT offers the financial professional an opportunity to present and assign different options to different CPT members. For example, Eric has life insurance, but he rides a motorcycle and is the sole breadwinner with two young children. Money is tight. So, the financial advisor can suggest that he look at a term life product with accelerated death benefits, which could be a good fit. The CPT and the financial advisor can also introduce micro-learning modules or gamification and engaging information exercises.

What you are doing during this whole storytelling process is looking for motivators. You can pick them up by listening carefully to what they focus on in the story. How would they change the story? How would they improve whatever was going on in the story? It is a very telling and not difficult way of improving relationships, growing generationally, and, of course, helping people plan.

I am going to quickly, because of time, whip through this cornucopia of planning options. We do not have time today for an in-depth review. However, I am familiarizing you with the expansive options that suit almost any client's financial or personal healthcare needs. If it is insurance, there are lots of different types. Work groups and workplaces have increased, obviously due to the prospect of publicly-funded long-term care. And life insurance with riders and annuities with riders, I want you to be very careful to understand what those riders do and do not do.

Plan for Care – Avoid Crisis Funding

Can the entire benefit accelerate for long-term care? You need to truly understand whether it is going to be underwritten at the time of claim or whether the benefit is going to be established when the contract is signed. What about specific health concerns? What about some people who do have health issues like veteran's benefits? Grandpa, as it turns out, qualified for health benefits through the VA. But where they access them and, how long, what type of benefit, can be very complicated. While Grandpa qualifies, Jodie's husband Jackson, who also served, does not qualify. So, it would be best to look at some things you had not thought about.

The HECM mortgage (home equity conversion mortgage) has come into play now as a funding source for long-term and extended care. Why? Well, there is $12 trillion tied up in home equity. It may be a part of good funding and good planning. You must become familiar with more and more of these potential opportunities for funding care.

Shadow Caregiving System Key Takeaways

Whether you are a sole ager yourself or whether your client is a family member, and no matter how you define a family, they are and will become part of the Shadow Caregiving System.

The Shadow Caregiving System will impact retirement and investment plans. Use the three steps to discuss extended and long-term care planning. Do it before it becomes a crisis, which will limit the options and can have very long-reaching consequences. Not just for the generation getting the care, the care recipient, but also for the caregiver and the generations beneath them.

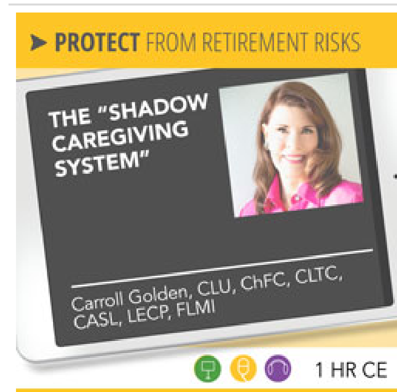
We know that states recognize the increasing, if not unmanageable, cost of care. That is why we are going to have to follow what is happening in state legislations, programs, and task force initiatives so that you, your friends, your clients, and your family are well-informed and have a chance to figure out what is the best plan for your situation.

There are only planning options that are within reach if you look at the correct ones for every client and every budget. While one size does not fit all, this is an opportunity to help individuals, businesses, and family members understand their options. Of course, as a sidebar, it will help you to become a facilitator and grow your practice as well.

I have mentioned my storybook for families, How Not to Pull Your Family Apart: A Practical Guide to Caregiving and Financial Stability, which became a best seller. And I think it is because of the subtitle, “Caregiving and Financial Stability.” That will be a book that some financial advisors have sent to their clients and asked them, “Do you want to talk about this? Do you see yourself stepping into any of these character’s shoes?”

My first book, How Not to Tear Your Family Apart: 3 Simple Steps to Start Critical Conversations and Help Your Family and Aging Parents Plan a Financially Stable Future is more of a textbook and is written for advisors.

Both books are available through Amazon and Barnes and Noble.



The “Shadow Caregiving System” – Carroll Golden

About Carroll Golden, CLU, ChFC, CLTC, CASL, LECP, FLMI, LACP the Executive Director, Limited and Extended Care Planning Center (LECP Center) for the National Association of Insurance and Financial Advisors, C. Golden Consulting, LLC

Carroll Golden is a forward-thinking organizational consultant and business strategist with a diverse international background holding senior leadership roles within the healthcare and insurance marketplace. Carroll is recognized by industry peers for her contributions in the extended and long-term care insurance (LTCI) field and is a frequent speaker and noted author across numerous professional benefits and financial services organizations.

Carroll has an extensive business background focused on business development, solutions selling, risk management and insurance distribution. As a Senior VP in charge of a leading carrier’s LTCI Sales and Marketing department, her nationwide responsibilities spanned formulation of strategic sales plans, product development, innovative and traditional marketing initiatives. She excels in developing relationships and adding value within both small, privately-owned companies and large global corporations.

Working with a Certified Public Account audience, Carroll did a local radio spot on LTCI, focusing on the Executive Carve-Out Business market and later specialized in Group/Worksite Long Term Care Insurance. For several years, she contributed a monthly feature to Benefits Selling Magazine. Carroll gained brokerage and field perspective working with East Coast, and later with West Coast, national LTCI distributors.

Carroll entered the professional world as an International translator, having spent several years as a student at the Sorbonne in Paris and continuing her studies in Reims, France. Traveling to more than 44 countries while working with a prestigious Manhattan, NY law firm, Carroll gained insight into how different customs and traditions influence governments and businesses.

As an active member of the Society of Financial Service Professionals (SFSP), Carroll served as Chapter President and taught continuing education (CE) classes. Additionally, she served as Chairperson for both the Society of Actuaries Fifth and Tenth Annual Intercompany LTCI Conferences. She currently participates on the Board of Directors of the Intercompany Long-Term Care Conference (ILTCI). Carroll is President of C. Golden Consulting, LLC and is currently working with the National Association of Insurance and Financial Advisors. NAIFA is creating the first of several Specialty Centers. Carroll is the Executive Director of the NAIFA Limited and Extended Care Planning Center (LECP Center). LECP is an easy to access hub-dealing with all aspects relating to or impacted by extended and long term care planning-or the absence of planning.

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