

FINANCIAL STRATEGIES FROM
KURT ROSENTRETER
 CHARTERED ACCOUNTANT, INVESTMENT ADVISOR, INSURANCE AGENT

kurt.rosentreter@manulifesecurities.ca 416-628-5761 ext. 230

The Realities of Old Age Healthcare Planning in Canada

Written by Kurt Rosentreter, CA, CFP
 Researched By Patrick Rankin

The Canadian health system is not kind to those requiring long-term care. A recent study by the Canadian Medical Association found that Canadians are pleased with the health care system's quick response to short-term illness and injury. However, the majority of the population is not satisfied with the government's ability in providing convenient, affordable long-term care to seniors¹.

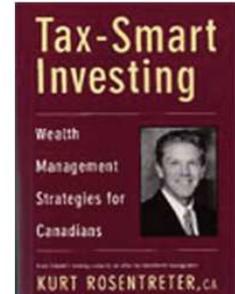
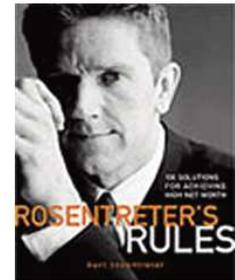
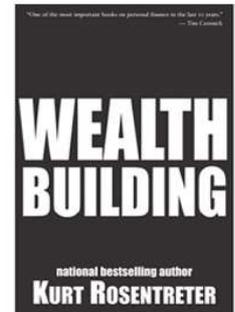
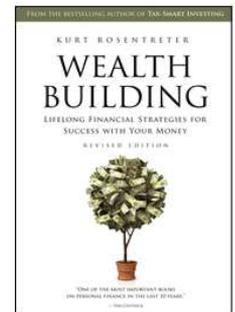
The long-term health care system in Canada is a hard one to navigate. For a senior with lessening mental sharpness (not to mention a higher probability of being taken advantage of), this system can be overwhelming: making it important for Canadians to plan ahead in the case of an inevitable decline in health. Finding quick, comfortable long-term care is much easier when a senior has an adequate amount of money set aside for it.

Being a senior with health issues in Canada can be expensive. If a Canadian has a stroke, our health plan covers medically required services such as a physician, hospital care, and essential hospital accommodation (not including long-term accommodation). Sadly, most government support ends there. Most necessary medical equipment such as wheelchairs, hearing aids, and oxygen supplies are not covered. Home care services, for the most part, are not covered. Home safety modifications, such as a wheelchair ramp or safety bars, are not covered. Assisted-living accommodation may not be covered². In short, the cost of growing old is covered for the most part by oneself - and it's easy to see that these costs can add up very quickly.

The *Canada Health Act*, the law that sets what is provided to each Canadian citizen by our national health care system, covers only physician access and hospital accommodation. There are therefore no formal guidelines set for what each province must provide in terms of long-term care. Because of this, the provinces vary widely in what is provided to those who require nursing home accommodation, personal home care, and other forms of long term care³.

Regardless of what province a person lives in, the importance of having money set aside in old age becomes evident when looking at Canadian nursing homes. While the government of Ontario⁴ does cover the cost of all health care received in a nursing home (including personal

Kurt's National Best Selling Books



¹ http://www.cma.ca/multimedia/CMA/Content/Images/Inside_cma/Advocacy/HCT/HCT_townhalls_en.pdf

² <http://www.pac.bluecross.ca/Corp/howbenefitswork/healthinsurance/diffpbc-msp.aspx>

³ http://www.cma.ca/multimedia/CMA/Content/Images/Inside_cma/Advocacy/HCT/HCT_townhalls_en.pdf

⁴ As mentioned, guidelines and costs associated with long-term care vary by province

(http://www.cma.ca/multimedia/CMA/Content/Images/Inside_cma/Advocacy/HCT/HCT_townhalls_en.pdf)

care, nursing, and medication), nursing home accommodation must be covered by the senior. These costs are standardized across Ontario⁵.

There are three options for nursing home accommodation in Ontario: a standard room costing \$1,707.59 per month (a dorm style set-up, in which four or so people share one room), a semi-private room costing \$2,011.76 per month, or a private room costing a hefty \$2,361.55. Other services, such as telephone service and cable television, are additional costs that residents are required to pay out of pocket⁶.

The standard, low-cost room is accessible for the majority of Canadians. If a senior can't afford that, they can apply for additional government funding and are required to pay no more than what the government thinks they can afford, determined through an assessment of the senior's income on the last year's tax return⁷.

The low-cost option does come with a price, however: increased waiting times. Almost three-quarters of the people waiting for a nursing home in Canada are waiting for this standard accommodation, which comprises little over a third of the long-term beds available⁸. This is where the value of budgeting for old age becomes evident: being able to afford a private or semi-private room in a nursing home can cut waiting times drastically.

A shortage of nursing home facilities, beds, and caregivers has caused the wait for a nursing home in Canada to become unacceptably long. There are 6,000 nursing home beds in Toronto and at any given time almost 3,500 people waiting for a spot to open up. Per month, only about 140 of these people will move off the waiting list and into a bed - as a result, it's not uncommon for patients in need of a nursing home to have to wait months before a spot opens up⁹. The average nursing home wait time in Ontario is 98 days, and this number seems to be rising, up from 36 days in 2005¹⁰.

In essence, the requirements of getting into a nursing home can be seen as a tug of war between time and money. Private and semi-private rooms, while costing a lot more, have shorter wait lists as not many people can afford them. In the case where one does not have money set aside in case a long-term care facility is needed, families may be looking at months of waiting for room to open up in a suitable care facility.

Take the case of Jocelyn, a 71 year old woman of sound mind and good health, living with her husband in Ontario. After suffering a debilitating stroke, Jocelyn can no longer live at home, and her family begins the painful process of applying to nursing homes while she is in the hospital. Jocelyn wants to be in a nursing home near her husband, a frail elderly man who cannot travel long distances.



Like many, Jocelyn can only afford the lowest-cost bed with the longest waiting time. Ontarians looking to transfer from hospital to nursing home, like Jocelyn, are in for a wait of about 50 days¹¹. For hard-to-place seniors with a high level of care required, this wait time can be 2 to 3 times longer¹².

Until then, Jocelyn – who has now recovered from her stroke, but is unable to go home – must be kept in a bed in the hospital. Hospital staff, needing the bed for patients with more time-sensitive issues, threaten to charge Jocelyn an outrageous amount of money to stay in the hospital bed (some accounts have reported hospitals charging up to \$871 a day¹³). Jocelyn has no choice but to settle for the first bed that becomes available: a standard, low-cost bed in an area she did not want, sharing a room with 3 other people in a location more than 100 km from her home and husband.



⁵ <http://www.rbcinsurance.com/care/pdf/long-term-care-ontario-en.pdf>

⁶ http://www.health.gov.on.ca/en/public/programs/ltc/15_facilities.aspx

⁷ <http://www.nursinghomeratings.ca/understand-the-nursing-home-system/ontario>

⁸ http://www.ccac-ont.ca/Upload/toronto/General/LTCH%20Waitlists_Pg%201-4_June%202%202013.pdf

⁹ http://www.ccac-ont.ca/Upload/toronto/General/LTCH%20Waitlists_Pg%201-4_June%202%202013.pdf

¹⁰ http://www.auditor.on.ca/en/news_en/12_newsreleases/2012news_3.08.pdf

¹¹ <http://healthydebate.ca/2011/03/topic/community-long-term-care/why-have-wait-times-for-long-term-care-tripled-in-the-last-5-years>

¹² <http://www.therecord.com/sports-story/2570303-situation-critical-waits-for-long-term-care-daunting-/>

¹³ <http://www.metroland.com/page/SituationCritical>



Stories like this are sad, but not uncommon. It comes down to the harsh truth that seniors with more money have the upper hand, with a better chance of getting in to a finer nursing home faster.

Those looking to skip the nursing home and receive long-term care at home face the same harsh reality. While the government provides some home care services at no cost, these resources are limited and go to the neediest, leaving most people to rely on costly private home care services or family (who often have to sacrifice their own lives to help) to “fill in the gaps” in obtaining adequate care¹⁴. Statistics show that close to 50% of home care in Canada is now privately funded¹⁵.

The decision to stay at home and receive care, while attractive to some, is a costly option. This can be seen in the case of Neil, a man living alone with Parkinson’s disease. At 79 years old, his Parkinson’s begins to advance to the point where he can no longer take care of himself.

Wanting to honor his decision to stay at home, Neil’s family begins looking into home care. Neil is a “high need” client, requiring 35 hours a week for personal care, 14 hours for meal preparation, 3 hours for skilled nursing, 2.5 hours for laundry and house cleaning, and 24 hours for companionship/supervision when his son and daughter-in-law are unable to look after him. The cost of each of these services is extremely high: provincial averages include \$23.95 an hour for meal preparation, \$25.00 an hour for personal care, \$23.50 for housekeeping and companionship/supervision, and \$49.60 an hour for a skilled nurse¹⁶.

It’s easy to see that these costs will build up quickly, and they do – adding up to a total cost of \$8,214.82 per month! Even with government subsidization (covering the cost of 20 hours a week of personal care and 1 hour a week of nursing), the total amount Neil must pay to live at home is a staggering \$6,101.42 per month. That is more than \$72,000/year for one person!

Canadians looking to stay in the comfort of their own home in old age have no choice but to plan ahead in order to finance these extreme costs.

It’s not just home care that makes living at home expensive, however. For Ernie, a 67 year old man living with his wife, extra home care is not needed, but home safety modifications are. After suffering a bad fall, Ernie experiences mobility issues. He and his wife want to keep living as comfortable as possible, without care workers or nursing home care. Ernie’s frail wife cannot be much help physically with tasks like getting in and out of the bathtub, and it becomes evident that home safety modifications are necessary.

There is little government funding for Ernie’s choice to stay at home with his disability. First, he must pay out of pocket for an occupational therapist to assess his needs for safety devices and fittings (\$98.31 per hour)¹⁷. It is determined that Ernie requires a power wheelchair for mobility, and his house must be outfitted with a ramp, safety bars, a stair lift, and a walk-in bathtub.

The Ontario government pays 75% of any necessary mobility devices through its Assistive Devices Program (in this case, the power wheelchair), with Ernie covering the other 25%. For a power wheelchair with a price tag of \$7,101, Ernie must pay \$1,775.25¹⁸.



¹⁴ <http://www.senioryears.com/longtermcare.html>

¹⁵ www.nursesunions.ca/sites/default/.../long_term_care_paper.final_0.pdf

¹⁶ <http://www.rbcinsurance.com/care/pdf/long-term-care-ontario-en.pdf>

¹⁷ <http://www.rbcinsurance.com/care/pdf/long-term-care-ontario-en.pdf>

¹⁸ <http://www.health.gov.on.ca/en/public/programs/adp/about.aspx>



The home modifications are not covered by government, although they are subject to a 15% tax credit through the Ontario government's Healthy Homes Renovation Tax Credit¹⁹. Adding together the installation of a wheelchair ramp (which ranges from \$350 to \$5000 depending on length²⁰), four bathroom support bars (\$25 to \$30 per bar²¹), a stair lift (ranging from \$1,500 to \$20,000 and averaging \$5000 for a reliable model²²), and a walk-in bathtub (ranging from \$3000 to \$15,000²³, with an approximate cost of \$5000 for a good-quality model²⁴), Ernie is looking at modification costs of around \$13,120. With his cost of the power wheelchair added, the total cost is \$14,895.25 - a hefty price tag for Ernie to stay in the comfort of his own home with a disability. Note there are some tax credits available for these costs and more through your annual tax return filing (e.g. medical tax credit, disability tax credit).

While the thought of being able to stay home in old age regardless of cost is appealing to many, some may dread the thought of taking care of a large house in retirement. Take the case of Sandra, a retired 74 year old widow, who begins looking into retirement home living after having tired of the demanding upkeep of her home. Unlike a nursing home, retirement homes offer more independent living, and are intended for seniors needing low levels of care. The set-up of a retirement home is much like a condo: seniors may live in well-furnished bachelor, one-bedroom, or two-bedroom apartments and benefit from housekeeping, prepared meals, active living programs, and increased social contact²⁵.

These advantages come with a hefty price tag, however: retirement homes are not covered by the government at all, with high costs depending both on the type of living arrangement chosen and amount of extra care needed. Ontario residents are looking at a cost of \$1,489 to \$5,586 a month, with the average being somewhere around \$2,677. For a well-furnished, one bedroom apartment with all of the above amenities included, Sandra is looking at paying around \$3,500 a month²⁶. Couples looking for similar accommodation will often be required to pay higher rent depending on the retirement home's policy and the level of care needed for either senior²⁷. However, a senior couple sharing a room is often less expensive than two seniors looking for separate accommodation²⁸.

After living comfortably in a retirement home for a few years, Sandra's health declines. She can no longer afford the increased cost that comes with paying for personal care in a retirement home (for heavy care, the average retirement home price in Ontario is \$4,182 a month²⁹). Sandra has two choices: she can place herself into a nursing home, or opt for assisted living.

An assisted living arrangement is somewhat like the middle man between retirement and nursing homes. Offering the independence that comes with living in a retirement home, assisted living also provides government-subsidized health and personal care. Unlike a nursing home, rent is not standardized, and instead paid to a landlord, and residents must pay for their own food, clothes, entertainment, and other additional costs³⁰. Due to this, the cost of assisted living can range anywhere from \$1,500 to \$5,000 per month³¹, with an average wait time of 44 days³². Applications to assisted living are processed through the provincial government in Ontario, who will put applicants in touch with proper assisted living

¹⁹ <http://www.ontario.ca/taxes-and-benefits/healthy-homes-renovation-tax-credit>

²⁰ <http://carpenters.networx.com/info/wheelchair-ramp-cost/>

²¹ <http://www.homedepot.com/Bath-Bathroom-Accessories-Hardware-Bathroom-Safety-Accessibility-Grab-Bars/>

²² <http://www.homerenovationguide.com/articles/361-how-to-buy-a-walk-in-bathtub>

²³ http://www.carers.net.nz/resources/family_care_magazine/your_level

²⁴ <http://www.motionspecialties.com/blog/accessibility/?p=198>

²⁵ <http://www.comfortlife.ca/retirement-communities>

²⁶ <http://www.comfortlife.ca/financial-legal/retirement-cost>

²⁷ <http://www.shayaretirementhome.com/english.htm#n7>

²⁸ <http://www.comfortlife.ca/financial-legal/retirement-cost>

²⁹ <http://www.comfortlife.ca/financial-legal/retirement-cost>

³⁰ http://www.health.gov.on.ca/en/public/programs/ltc/13_housing.aspx

³¹ <http://www.seniorszen.com/care/assisted-living/ontario>

³² http://www.cfhi-fcass.ca/Migrated/PDF/ResearchReports/OGC/Hopper_e.pdf

contacts. The government may also cover a portion of rent costs depending on the senior's monthly income³³. Sandra, still being independent enough to avoid going to a nursing home, chooses assisted living.

Eventually, Sandra's health worsens to the point where she can no longer live independently, and has no choice but to go to a nursing home. For her comfort and safety, it is necessary that Sandra get into a nursing home as soon as possible. Since she has no extreme conditions or illnesses, and is not blocking a bed in the hospital, Sandra is deemed a low-need client. If she is to choose a standard, low-cost bed she is looking at an average wait time of 6 months³⁴, or in some cases, 10 to 14 months³⁵.

Fortunately, Sandra has planned ahead and has an adequate amount of money set aside for comfortable long-term care. Unlike most seniors, she is able to pay the \$2,361.55 a month for a private nursing home room, which has a much shorter waiting time than a standard, low-cost bed. Not only will this provide Sandra with more pleasing living conditions, it will allow her to decrease her wait time for a nursing home substantially, and she gets in within a month.

Another aspect of healthcare that becomes more imperative in old age is medication. Canadians over the age of 65 are well covered by the government when it comes to paying for drugs, with five government programs in place to lessen medication costs. Upon turning 65, Canadians in Ontario are automatically enrolled in the Ontario Drug Benefit (ODB)



Program, which will cover some portion of prescription drug costs, depending on the senior's yearly net income. A single senior with an income of at least \$16,018 or higher, or a senior couple with a combined income of at least \$24,175 pays the first \$100 of their drug costs (called the "deductible"), plus \$6.11 each subsequent time they fill a prescription (called the "co-payment"). This is what the majority of seniors in Canada must pay - there is no increased cost or penalty for higher income seniors. A single senior with an income of less than \$16,018 or a senior couple with combined income of less than \$24,175 pays no deductible, just a co-payment of \$2 each time they fill a prescription³⁶.

In Ontario, additional government drug programs are in place to cover the full cost of certain medications. To qualify for these subsidies, one must have Ontario Health Insurance Plan (OHIP) coverage (the provincial health plan provided to residents of Ontario³⁷), and apply through a doctor, who assesses the patient's qualifications to receive the funding. Firstly, the Special Drugs Program (SDP) covers the full cost of drugs that treat certain diseases and disorders, such as cystic fibrosis, HIV, kidney disease, and schizophrenia. The New Drug Funding Program (NDFP) fully covers intravenous cancer drugs given in qualified Ontario hospitals. The Inherited Metabolic Diseases (IMD) Program covers the cost of certain drugs, supplements, and specialty foods used in the treatment of metabolic disorders. Lastly, the Visudyne (Verteporfin) Program covers the full cost of verteporfin, a drug which slows the advance of age-related macular degeneration (an eye condition). Applicants must have been prescribed occupational therapy for the condition in order to qualify³⁸.

Income Tax Credits and Deductions to Help Defray the Cost

The government of Canada provides a number of tax credits that can benefit the elderly and lessen the costs that come with growing older. There's the medical expenses tax credit, which can provide tax breaks for a wide variety of medical costs – including prescription drugs, cancer treatment, dental work, eye care, medically required home renovations, and walking aids. The list of covered items is lengthy, and can provide government tax deducts of up to \$2,109 (for 2012)³⁹.

³³ http://www.health.gov.on.ca/en/public/programs/ltc/13_housing_2.aspx

³⁴ <http://healthydebate.ca/2011/03/topic/community-long-term-care/why-have-wait-times-for-long-term-care-tripled-in-the-last-5-years>

³⁵ http://www.auditor.on.ca/en/news_en/12_newsreleases/2012news_3.08.pdf

³⁶ <http://www.health.gov.on.ca/en/public/programs/drugs/programs/odb/odb.aspx>

³⁷ http://www.health.gov.on.ca/en/public/programs/ohip/ohipfaq_mn.aspx

³⁸ <http://www.health.gov.on.ca/en/public/programs/drugs/programs/programs.aspx>

³⁹ <http://www.cbc.ca/news/business/taxes/story/2012/02/29/f-tax-season-medical-credits.html>

The disability tax credit provides a break for people living with a long-term mental or physical impairment, confirmed by a medical doctor, which makes it difficult to perform everyday activities⁴⁰. If eligible for this non-refundable tax credit, individuals can claim a credit of \$7,546⁴¹.

An individual who is supporting a relative who is 65 or older and living with them is eligible for the caregiver tax credit. The dependant must be a live-in relative, so if the relative being supported is not living with you, you are not eligible for the credit. The dependant must be earning less than \$19,435 in order for a caregiver to qualify for the credit. If this income is less than \$15,033, the maximum amount of \$4,402 can be claimed for the dependant. However, this tax credit does not apply to individuals caring for a spouse⁴².

In Ontario, residents 64 or older who own a home can qualify for the Ontario Senior Homeowners' Property Tax Grant, a credit of up to \$500 to aid in the cost of property taxes. This grant is only available to single seniors earning less than \$50,000 a year, with the full grant being awarded to those earning less than \$35,000. Senior couples are eligible if they earn less than \$60,000 as a couple, and can earn the maximum amount if they earn less than \$45,000⁴³.

As mentioned earlier, home modifications for seniors that are needed for a disability are not covered by government (including wheel chair ramps, safety bars, and walk-in bathtub modifications). They may be, however, subject to a 15% tax credit through the Ontario government's Healthy Homes Renovation Tax Credit. The credit can be claimed by seniors or family members who live with them, regardless of income. A maximum of \$10,000 worth of home improvements can be claimed through this tax credit, resulting in a maximum of \$1,500 in tax savings⁴⁴.

The Future of Healthcare in Canada

In each of the noted cases, it's evident that having money eases the transition into long-term care. This statement becomes even more significant when looking at the Canadian long-term health care system's dim future. With baby boomers just now entering old age, the elderly population of Canada is getting larger every year, with some estimates stating a growth of 30% in seniors over 75 in the next 10 years⁴⁵. Moreover, the cost of healthcare in Canada (especially long-term care) is increasing dramatically, and with this increase, the government's ability to sufficiently support the aging population is becoming less and less certain. As of now, it is estimated that at least 40% of all people over 65 will need some form of long-term health care service⁴⁶. The sad truth is that current long-term care facilities will be unable to meet this demand⁴⁷.

With such a pessimistic future looming for Canada's elderly, it becomes even more evident that having a good amount of money set aside for long-term care is a reliable way to make sure you are not pushed aside in the shuffle to receiving adequate care.

The Value of Advice

In Canada today, some financial advisors charge high fees and offer little value. They don't prepare financial plans. They rarely meet you face to face. They don't disclose fees or provide fee choices. They don't even ask about your goals.

The one hundred hours we put into preparing this newsletter is a good example of how different we strive to be in the Wealth Management Practice of Kurt Rosentreter. We are focused on value based on our client needs. Our fees are low. We go far beyond selling products to help with all aspects of your goals and your finances. We try hard on all levels.

Visit us today at www.kurtismycfo.com or call us at 1-416-628-5761 and learn more about why we are one of the leading personal advisory practices in Canada.



⁴⁰ <https://www.hrbtaxtalk.ca/blog/insight-newsletter/living-with-a-disability-explore-your-tax-options>

⁴¹ <http://www.taxplanningguide.ca/tax-planning-guide/section-2-individuals/disability-tax-credit/>

⁴² <https://www.hrbtaxtalk.ca/blog/explaining-the-caregiver-amount>

⁴³ <http://www.fin.gov.on.ca/en/credit/shptg/index.html>

⁴⁴ <http://www.ontario.ca/taxes-and-benefits/healthy-homes-renovation-tax-credit>

⁴⁵ http://www.auditor.on.ca/en/news_en/12_newsreleases/2012news_3.08.pdf

⁴⁶ <http://www.senioryears.com/longtermcare.html>

⁴⁷ <http://thehealingcycle.wordpress.com/2013/04/03/the-value-of-end-of-life-care>

How the Kurt Rosentreter Wealth Management Team Can Help

Being ready for the costs of advanced aging starts with a sound financial plan today. A plan based on your goals that ties in career finances, cash flow, retirement costs, real estate, debt, family finances, your estate plan, taxes, investing and savings.

Long term care planning is another dimension of your financial plan.

Real financial advisors understand the need for a comprehensive plan backed by competent advisors with experience. This is our practice. Call us today to create a sound strategy for long term care.

Facts About This Newsletter Content

Six months of detailed research by three people went into the preparation of this edition of my newsletter. Our original intention was to provide healthcare rules for all of the provinces but we realized the enormity of this task and decided instead to focus on “typical” provincial rules. We hope that our information is a useful tool to research the cost of care in your location. A lot of thought went into this document to make it practical for you to use.

Data, rules and amounts are subject to change and we did not audit our findings. The information provided is a guideline only.

Kurt Rosentreter, CA, CPA, CFP, CLU, TEP, FMA, CIMA, FCSI, CIM is a Senior Financial Advisor with Manulife Securities Incorporated in Toronto. Kurt is also a Chartered Accountant and national best selling author on wealth management in Canada with seven books in stores. For almost a decade, Kurt has been an Instructor of Wealth Management, teaching five courses for the Ontario Institute of Chartered Accountants. Kurt is also the past co-founder of a billion dollar investment consulting firm at one of Canada’s “Big Four” accounting and consulting firms. Kurt can be reached at kurt.rosentreter@manulifesecurities.ca and 416 628 5761 Ext 230.

Mutual funds, stocks, bonds, GICs, and Financial Planning services are offered through Manulife Securities Incorporated. The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated.

Insurance products and services are offered through Manulife Securities Insurance Inc. (a licensed life insurance agency and affiliate of Manulife Securities) by Manulife Securities Advisors licensed as life agents.

The Wealth Management Practice of Kurt Rosentreter Kurt
Rosentreter, CA, CFP, CLU, TEP, FMA, CIMA, FCSI, CIM, CPA
Senior Financial Advisor, Manulife Securities Incorporated
Certified Financial Planner, Manulife Securities Insurance Inc.

Manulife Securities and the block design are registered service marks and trade marks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Securities Incorporated / Manulife Securities Insurance Inc.

Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund.

 **Manulife Securities**

MANULIFE SECURITIES INCORPORATED
MANULIFE SECURITIES INSURANCE INC.

T: 416-628-5761 ext. 230 F: 416-225-8650
TF: 1-866-275-5878 (1-866-ASK-KURT)
kurt.rosentreter@manulifesecurities.ca
www.kurtismyco.com