

Help! My family's costs are killing me!

Laurie Cook is caring for a mom with Alzheimer's and a brother with Asperger's syndrome. It's not emotional strain that's getting her down, though -- it's basic budget woes. Here's how she could get her finances in order.

By [Karin Price Mueller, MSN Money](#)

Laurie Cook has no income and no savings, but she's no slouch.

The 43-year-old single woman left her career in child care in 2004 to take on a new role: caretaker for her widowed 81-year-old mother. Her mother suffers from Alzheimer's disease and chronic obstructive pulmonary disease, is on oxygen 24 hours a day and uses a catheter. Laurie now lives with her mother full time in New Jersey.

As if caring for her mother weren't enough, Laurie is also a legal guardian for her brother, Tom, 53. He shares their mother's home because he, too, has serious health problems. Tom suffers from autism and obsessive-compulsive disorder. Despite his challenges, he has worked full time at the same job for the past 34 years.

The emotional pressure of caring for loved ones has taken its toll on Laurie. And now, financial challenges are pushing her to the breaking point. [▶ Where else can I cut back?](#)

Laurie's monthly household budget shows the family must borrow \$757 a month to cover basic necessities. [▶ Why not even a budget helps](#)

Though Tom earns enough income to contribute more to the household, guardianship rules state that he may pay only half of his living expenses. When Laurie inquired about using some of his money to pay some added costs such as household repairs, she says, she was made to feel as if she were exploiting him. [▶ Graphic: Losing \\$757 a month](#)

But Tom is a big reason they're keeping the home. It's close to his job, and his obsessive-compulsive disorder makes changes in routine -- like a move -- difficult.

Tapping the house, legally

OK, so this family is facing some very challenging problems. Let's talk about solutions.

Because there's no mortgage on the family home, it's possible Laurie could tap the equity to pay bills and reduce debt. The problem is that the home is in her mother's name, and Laurie doesn't have the legal authority to access funds from the house.

Option 1: Have her mother draft a power of attorney, a document that would give Laurie the right to make financial decisions on her mom's behalf. But Alzheimer's disease might mean Laurie's mom doesn't have the mental capacity to give over those rights.

If that's the case, Laurie would have to seek guardianship of her mother, just as she did for her brother. That would cost her about \$3,500 but would allow her to make financial decisions for her mother. She could then consider a home-equity loan or a home-equity line of credit.

A home-equity loan would give Laurie a lump-sum payment drawn from the family's equity in the house.

Essentially, this is a mortgage. The family would have to make monthly payments on this loan or, if the home were sold, repay the balance of the loan from the proceeds of the sale.

A home-equity line of credit is a little different.

Instead of taking out a chunk of money, the family would have access to a certain amount of money. The limit would be determined when the loan was made. Laurie would then have a checkbook or a bank card that she could use to access the funds as needed. Monthly payments would be based on the amount of money withdrawn. [▶ Why don't you sell the house?](#)

Option 2: Get a reverse mortgage. It's a more drastic solution and available only for those over age 62, such as Laurie's mother. There are many reverse-mortgage products available, but they have elements in common. All offer funds for the short term while reducing equity in the house permanently. There are no monthly mortgage payments; instead, the loan is repaid out of proceeds from the eventual sale of the home.

Though Laurie wouldn't have to make monthly payments, she still would be responsible for the home's property taxes,

maintenance and other costs.

The popularity of reverse mortgages is growing, with a 77% increase in the number of federally insured reverse mortgages in 2006, according to the [National Reverse Mortgage Lenders Association](#), an industry trade group.

But there are costs involved with reverse mortgages. Laurie could expect to pay an application fee, an appraisal fee of \$300 to \$500, a mortgage insurance premium and an origination fee, which is the fee the lender charges to prepare the loan. She would also pay document preparation fees and closing costs, which could include a credit report fee, title search fees and a flood certification fee. Most reverse mortgages also charge a monthly servicing fee of around \$35 a month.

There may be one other option.

If Laurie's mother qualified for Medicaid, the court might allow the home to be transferred to Laurie, under Medicaid's "caregiver child exception." This exception allows for the transfer of a parent's house to a child who has lived there for at least two years, taking care of the parent for those years so that the parent did not have to move to a nursing home.

Laurie would need a lawyer for this, too. She could use an elder-care legal-aid group to find one. (There are similar organizations all over the United States. To reach one, check with your [state's bar association](#).)

Tom's contributions?

Laurie's desire to help her brother build his own wealth for future needs is admirable. But if the family can't make ends meet, maybe Laurie should petition a court to use more of his income for household expenses.

One possibility would be to temporarily halt contributions to Tom's 401(k) retirement plan and other

savings. The extra few hundred dollars a month could help eliminate some of the family's overdue bills. Once the bills were whittled down, he could restart contributions.

Tom's 401(k) may also have a loan option, which might let him borrow some of his account balance, currently about \$300,000. Such loans can be repaid, with interest, back into the 401(k) account, with funds taken directly from the borrower's paycheck.

Whatever financial decisions Laurie makes, she needs to make sure she takes care of herself, too.

She once tried hiring a home health aide to stay with her mother but wasn't happy with the aide. But this route is worth trying again. And again. And even again. She simply must provide herself a break from care giving.

When Laurie finds a caregiver, she should consider getting a part-time job, not so much for the money but to get out of the house a few times a week. Part-time work will also help build her résumé for when her mother is gone and she resumes working full time.

And Laurie needs health insurance. If a part-time job doesn't provide a policy, she should look into some low-cost insurance through work-related membership groups, credit unions, alumni associations and other groups.

Ultimately, Laurie needs to make sure to take care of herself first, so she's in good enough shape to take care of her family.

Producer's note: Special thanks to elder-law specialist Shirley Whitenack, a partner with Schenck, Price, Smith & King in Morristown and Paramus, N.J., for help on Laurie's legal options.

Do you have a financial emergency that you'd like help with? If so, e-mail your story to MSN Money's Karin Mueller at money911help@hotmail.com.

Published May 19, 2008