

## The cost of informal caregiving

When someone serves as an unpaid caregiver, the costs are perhaps less apparent.

Whether as an act of love or financial necessity, family members and close friends often assist with in-home personal care once someone close to them needs help. This type of caregiving is typically unpaid, but can carry costs.

More than 34 billion hours a year were spent providing informal care in the United States in 2017 – roughly 16 hours a week by 41 million caregivers.<sup>1</sup> Tasks associated with informal caregiving can range from a trip to the grocery store to cleaning around the house to help with activities of daily living such as bathing, dressing and eating.

Though informal caregivers are rarely compensated, their time is not truly free. The contributions of those caregivers from 2017 was valued at \$470 billion.<sup>1</sup> Informal caregivers also may incur additional expenses. In 2021, 78% of caregivers incurred out-of-pocket costs averaging \$7,242. The amount goes up to \$10,525 if work-related strains are a factor.<sup>2</sup>

Most informal caregivers also work, with nearly half experiencing at least one financial setback, such as having to cut back on their own healthcare spending, dip into their personal savings or reduce how much they save for their retirement.<sup>2</sup>

While informal caregiving could appear to represent savings, there are short-term and long-term costs for the caregiver that call for careful consideration. And not every cost is easily quantifiable.

Informal caregivers experience emotional stress, anger and anxiety, leading to escalated instances of substance abuse and higher mortality rates. Caregivers are twice as likely to say their overall health is poor relative to the general population.<sup>4</sup>

### AN INFORMAL CAREGIVER IN THE UNITED STATES

16

Average hours per week<sup>1</sup>

\$7,242

Average annual out-of-pocket expenses<sup>1</sup>

\$303,880

Average lifetime loss of income  
and benefits<sup>3</sup>

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<sup>1</sup> AARP Public Policy Institute, Valuing the Invaluable: 2019 Update

<sup>2</sup> AARP, 2021 Caregiving Out-of-Pocket Costs Study

<sup>3</sup> Family Caregiver Alliance, National Center on Caregiving, February 2015

<sup>4</sup> 2015 AARP Research Report – Caregiving in the U.S.

## PLANNING FOR CARE

Informal caregiving might seem like a ready solution to a challenging circumstance – one that lowers the cost of care and therefore the need to plan. Often, the opposite is true. Depending upon your situation, a cash-indemnity long-term care insurance policy is among the strategies that could help offset the costs of informal caregiving.

A cash-indemnity policy's benefits offer increased flexibility for applying payments to alternative care services or the cost of care provided by an immediate family member, friend, neighbor or unlicensed caregiver. While the premium is typically higher than for a reimbursement-based long-term care policy, a cash-indemnity policy has the potential to pay more in benefits that could make it a better value over time.

Today's longer life spans, and longer retirements, call for careful planning that can help you and your loved ones live with greater confidence. Let's make long-term care costs an element of your financial plan.

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