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What If You Have College Tuition and Nursing Home Bills to Pay?

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NEW YORK (TheStreet) -- The sandwich generation -- the baby boomers now faced with bills and responsibilities for both college-aged children and aging parents -- don't have it easy. With expenses on the rise for education and health care, the question looms as to how the 62% of Americans over 50 now providing aid to family members will manage. Unfortunately, the vast majority of those over 50 (91%) never budgeted for multi-generational financial support, according to a **Merrill Lynch** retirement study. Although the options may be limited, there are some things you can do to ensure your financial future doesn't falter in the process.

1. Create a plan, even if you still have a lot of unknowns.

It's very important to sit down and try to create some sort of plan, even if there is uncertainty, so you can get an idea of the expenses that lay before you, says Suzanna de Baca, vice president of wealth strategies at **Ameriprise**.

"With a college-aged child, it may be easier to calculate some of the expected expenses," she says. "With an aging parent, look at what they've needed during the last year and try to estimate how their needs may change."

De Baca admits that it may be difficult to calculate elder care expenses with any degree of certainty, but there are some constants in every situation -- for example, if you have to travel to see your parents, you can estimate the cost of a plane ticket and a hotel room. You can also estimate nursing home costs by making a few calls and looking at how prices have evolved over the past few years.

2. Get rid of the guilt.

If your child ends up having to take out student loans because your funds are tied up with eldercare expenses, don't feel guilty, de Baca says. Your parent simply can't earn anymore, but your child has the ability to borrow and 40-plus years of earning power ahead of them.

"You can't do it all," de Baca says. "If you jeopardize your own financial future taking care of your parents and your child, then you're going to become a burden on your children one day. Stop feeling guilty -- you can't be everything to everyone right now."

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When you have to choose, the reality is that it's smarter from a financial standpoint to care for your parents, says Jeff Salter, CEO and founder of **Caring Senior Service**, a national in-home care company.

"You can't borrow for eldercare, but you can borrow for college," Salter says. "One day if you're in a position to help your child pay down their debt, then you can do that, but right now, they need to take out student loans."

3. Look into benefits, credits and reverse mortgages.

If your parents live with you more than half the time, check out the tax benefits of their care expenses on your tax return, which is 20% of the care up to $3,000 for one parent and $6,000 for two, says Kimberly Foss, CFP, founder and president of **Empyrion Wealth Management** in Roseville, Calif.

Also, some employers offer caregiver benefits to their employees.

"Ask your HR department if any benefit exists and which ones may apply to your circumstances," Foss says.

If you don't expect or need to inherit your parent's home, consider a reverse mortgage, Salter says.

"With a reverse mortgage, parents can remain at home while receiving a monthly income that can go towards all of their health care related expenses. There are no ongoing costs, and they cannot be forced to leave their home should they outlive the payments from the loan," he explains.

For any of these options, check with your financial planner or other expert to make sure they're right for you.

4. Never, ever compromise your own retirement fund.

"Never fall into the trap of depleting your own retirement fund to care for your parents or pay for your children's education," Foss says. "Obviously, this has to be considered on a case-to-case basis, but in general, it can make more problems than it solves."

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Don't scrimp on what you contribute toward your own future -- even if it seems like the best option, Salter says.

"All you're going to do is pass the buck and become a burden to your own children. You have a limited number of years during which you can earn, and contributing to your own funds has got to be first and foremost on your list."

If you're still conflicted, think of the mantra, "pay yourself first," says Christina K. Boyd, senior financial adviser with Merrill Lynch Wealth Management.

"This can be accomplished by putting enough money aside to maintain your desired retirement lifestyle; continue funding your retirement accounts and use realistic or even conservative returns to ensure you reach your goal," Boyd says.

5. Ensure your child is a part of the family budget discussions.

Even if you've never done it before, start hosting family meetings to get everyone's thoughts out on the table, Boyd says.

"Very few people talk with close family members about important financial topics, such as level of financial security, plans for living arrangements in retirement, inheritance or long-term care," she says, adding that a discussion can make everyone feel better about the road ahead.

It's a mistake not to loop your college-aged child in on these discussions, Salter says. The more clued in they are to the whole financial picture, the less they feel like a burden. If they constantly hear discussion of tough financial times without any context, they may assume their tuition is the only problem.

"Kids need to know what the family goals are for the long term," he says. "The earlier they are a part of these decisions, the more value they will see in the cost of their education and their ability to contribute as a family member."