Who cares?
Easing the financial burden for caregivers

February 2024

Jamie Golombek and Debbie Pearl-Weinberg
Tax and Estate Planning, CIBC Private Wealth

As we age, most of us will require some level of assistance or care. The range of care required, however, varies widely from those are who are able to live independently with a few hours a week of care, to those living in a long-term care facility with full-time support. Many situations fall between these two extremes, with some individuals having full-time care in their own home, and others living in a retirement home or with a family member who acts as their primary caregiver.

Depending on the arrangement, there may be large and, if not properly planned for, unanticipated costs. According to one CIBC Economics report [1], the care of aging parents alone costs Canadians an estimated $33 billion each year in direct and indirect costs. This includes anything from out-of-pocket expenses for parking fees and personal care workers paid for by adult children, to reduced hours at work or forgone vacation time spent tending to the needs of aging parents. And those costs are likely to mushroom by more than 20% over the next decade due solely to the changing demographics of an aging population, not to mention the increased demand for services.

There are a number of ways that the cost of care can be funded. For instance, if you require support, you may have personal funds that can be put towards these expenses, both in non-registered accounts as well as registered plans, such as RRSPs or RRIFs, pensions or a TFSA. But very few people seem to be budgeting for these costs. Indeed, one U.S. study found that of people over 40 years old, only one-third had put aside money for their long-term care.[2] As a result, some may find they lack sufficient resources to fund their care needs, which may contribute to unnecessary financial strain on those providing care. A CIBC poll[3] found that more than a third (34%) of current caregivers said the financial costs of care or care-giving related expenses were a top challenge for them, and 36% reported paying on average about $430 per month out of their own pocket for expenses related to their caregiving responsibilities.

The role of caregiver often falls to a family member. It's generally a good idea to have a discussion with your loved ones on whom the caregiving task may fall, about how you wish to be cared for and how these costs will be covered. Although it may be impossible to eliminate the stress that caregivers may feel, this may allow the caregiver to be better prepared later on to carry out their loved one's wishes. Despite how important this may be, one report indicated that 75% of individuals providing care to a family member had not discussed their financial responsibility with that family member.[4] In fact, according to the CIBC poll, three-quarters of Canadians who expected to be caregivers within five years had not taken any steps to prepare for the financial impact of their caregiver role.

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1 *Who Cares: The Economics of Caring For Aging Parents*, co-authored by CIBC Deputy Chief Economist Benjamin Tal and Senior Economist Royce Mendes, CIBC.

2 Long Term Care in America: Views on Who Should Bear the Responsibilities and Costs of Care, AP-NORC Center for Public Affairs Research, 2017.

3 2018 CIBC Caregiving Poll (July 2018).

4 See The Journey of Caregiving: Honor, Responsibility and Financial Complexity, (Oct. 2017), a Merrill Lynch study, conducted in partnership with Age Wave.

Taking steps now to properly plan and prepare for your potential care needs can make a world of difference for both you and your caregiver in the years ahead. This report will examine some tax relief and government benefits that may be available to individuals or their care providers to help offset the costs of care and care-related expenses. It will also examine some financial considerations related to Powers of Attorney and joint assets regarding proper planning for the care years ahead.

Tax considerations

There are several tax credits available in Canada to help offset some of the financial costs of care. Yet, the CIBC poll revealed that only about half of Canadians currently, or on the cusp of, providing care for someone knew about the tax credits available to them, and very few had ever made a claim.

Credit for caregivers

If you are providing support to certain family members with a physical or mental infirmity, then the Canada Caregiver Credit (the "CCC") may be available to you.[5] Eligible family members include your spouse or common-law partner, child or grandchild, parent, grandparent, sibling or aunt or uncle.

The amount of the CCC depends on your relationship with the person you are supporting. The basic CCC amount is a maximum of $8,375[6], on which you can claim a 15% non-refundable federal tax credit. If, however, you are otherwise eligible for the CCC, and you also claim the spouse or common-law partner amount, the amount of the CCC is limited to $2,616.[7] Similarly, if you claim the amount for eligible dependents, and you are eligible for the CCC, the amount of the CCC is limited to $2,616.[8]

The CCC will, however, be reduced dollar-for-dollar by the dependent's net income over $19,666. Although only one CCC amount is available on behalf of each care recipient, in some cases the credit can be shared by multiple caregivers who support the same individual. Indeed, the CIBC poll found two-thirds of current caregivers (66%) share the care responsibility with others (for example, a spouse, child, sibling or friend).

For example, suppose Sam lives with his daughter Ariel who is his primary caregiver. Ariel can claim up to $8,375, assuming that the amount for eligible dependents is not claimed; however, if Sam's care is equally shared among Ariel and her two siblings, then each of his care providers could make a claim for a portion of the $8,375 amount. If, however, the amount for eligible dependents is claimed by Ariel, then the CCC is limited to $2,616 and it may not be shared by Ariel with her siblings.

Disability tax credit

The non-refundable disability tax credit (the "DTC") is worth between about $2,000 and $3,100 (depending on your province or territory of residence) of combined federal and provincial or territorial tax relief annually for an individual with a severe and prolonged physical or mental disability. To qualify you must be either "markedly restricted" in at least one of the basic activities of daily living, "significantly restricted in two or more or the basic activities of daily living," or need "life-sustaining therapy." In addition, your impairment must be "prolonged," meaning that it has lasted, or is expected to last, for a continuous period of at least 12 months and is present all, or substantially all, of the time.

For instance, you may qualify for the DTC if you cannot feed yourself or dress yourself. But, it would not be sufficient if you were merely unable to shop for food or clothing or prepare food. A qualified practitioner (generally, a medical doctor, nurse practitioner or other medical specialist) must certify on form *T2201, Disability Tax Credit Certificate*, that you meet the criteria. The Canada Revenue Agency ("CRA") must ultimately approve the form.

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5 You are considered to support another person if "they rely on you to regularly and consistently provide them with some or all of the basic necessities of life, such as food, shelter and clothing." See the CRA website for more information on the Canada caregiver credit.

6 All amounts are for 2024 tax year and will be indexed for subsequent years.

7 All or a portion of the spouse or common-law partner amount can be claimed if you support your spouse or common-law partner and his or her net income was less than the Basic Personal Amount, which is a maximum of $15,705 in 2024.

8 The amount for an eligible dependant is available for certain relatives that you support, such as a parent or grandparent, so long as you are not being supported by a spouse or common-law partner.

It may be possible to transfer the DTC to a supporting individual or spouse or common-law partner. In certain circumstances; however, the DTC cannot be claimed if the medical expense tax credit is claimed for attendant care or nursing home expenses. Please see below for more information on the interaction between these two credits.[9]

Tax credits for expenses

Tax relief may also be available for some out-of-pocket expenses related to your physical and medical care. These can be claimed by either yourself or family members responsible for your care.

Home renovations

If you will be living in your own home, or in a relative's home, and renovations are required to accommodate your needs, you, or your relative, may be eligible to claim the home accessibility tax credit (the "HATC"). This can be worth up to $3,000[10] per calendar year, per qualifying individual.

The renovation must allow you to gain access to, or to be more mobile or functional within the home, or to reduce the risk of harm to you either when gaining access to the home or within the home itself. The improvement must be of an enduring nature and be considered integral to the home. Typical examples of eligible expenditures include wheelchair ramps, walk-in bathtubs or showers and grab bars; however, the cost of household appliances and devices, the cost of a gardener, or interest charged on a loan to cover the renovation will not qualify.

The renovations must be made to accommodate someone who is either at least 65 years of age, or eligible for the disability tax credit (see heading above.) If you meet these criteria, then you can claim the credit, as can certain other relatives such as your spouse or partner, your sibling, your child or grandchild or your niece or nephew.

Medical expenses[11]

Many out-of-pocket expenses may be eligible for the medical expense tax credit (the "METC"). You can claim the METC for your expenses, or your children, grandchildren, siblings or nieces and nephews can claim the METC if you depend on them for support. The federal METC is allowed for expenses that exceed the lower of $2,759 and 3% of one's net income. In most cases, this is a non-refundable tax credit. That means that it can reduce your taxes payable, but cannot create a refund; however, if you or your relative have high medical expenses but low income, you (or your relative) may be eligible to claim what is called the "refundable medical expense supplement",[12] which can result in a refund to you.

METC for attendant care

If you, or your loved ones, hire someone (an attendant) to perform personal tasks that you cannot do by yourself, the cost associated with hiring the attendant may be eligible for the METC.[13] A claim for the credit cannot be made if your spouse or common-law partner is the person doing the tasks.

To make a claim for attendant care, the CRA will likely require receipts.[14] If the care falls within the services provided within a retirement home, the retirement home must determine the portion of the cost paid by the resident for attendant care. In general, this would be limited to the costs for attendants providing the care.

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9 See the CRA website for more information on the disability tax credit.

10 The HATC is 15 per cent of up to $20,000 of eligible expenditures.

11 See Income Tax Folio S1-F1-C1, Medical Expense Tax Credit for more information.

12 See the CRA website for further information on the refundable medical expense supplement.

13 Note that if you hire a support worker in your private home, they may be considered an employee and you may be required to make payroll withholding deductions for income tax, CPP and EI as well as other filings.

14 Where an individual is hired to provide the care, the receipt must include the individual's social insurance number.

You may claim costs for an attendant to perform tasks including food preparation, housekeeping, laundry, health care (including costs of a certified health care aid or personal support worker), transportation services, as well as providing companionship. You cannot, however, claim the cost of food, cleaning supplies or rent, nor can you claim certain costs such as dry cleaning or hairdressing.

The CRA has also taken the position that the cost of snow removal or gardening services will not be eligible, and that "if a person is employed as a single service provider, such as a provider of only maid and cleaning services, or a provider of only transportation services, the provision of such service would not be viewed as attendant care."[15] There have, however, been various tax court decisions that have disagreed with the CRA's view, finding it too restrictive a reading of the *Income Tax Act*. One tax court case[16] permitted the cost of a cleaning service for an individual suffering from very severe disabilities as a result of a motor vehicle accident. It was very difficult for the individual to clean her house, and to do so would not only take much longer than she would have had to prior to her accident, but would also result in considerable pain that would last after she stopped cleaning. In another case[17] it was found that the cost of both clothing alterations and a personal trainer provided to an individual who suffered from side effects from the drug Thalidomide could qualify. The personal trainer assisted the individual in strengthening the areas of her body she needed to accomplish everyday activities. The clothing alterations were needed as it was very difficult for the individual to wear clothing purchased off the rack, and she was unable to make the alterations to clothing herself.[18]

Attendant care expenses may be claimed regardless of where you live, which may include your home, a relative's home, a long-term care facility (e.g. a nursing home), a retirement home, a seniors' residence or a hospital.

Before making a METC claim for attendant care, you must also consider whether or not you are eligible for the DTC.

DTC-eligible individual

If you are eligible for the DTC, the METC may be claimed for the cost of one full-time attendant. If this claim is made, however, then no claim may be made for the DTC.

Alternatively, a limited METC claim may be made for attendant care expenses of up to $10,000,[19] per year, per payor, in which case a claim for the DTC can continue to be made. This means that if, for example, you require attendant care and you split the cost of such care with your adult child, you each can claim the METC for up to $10,000 of these costs, and the DTC may still be claimed.

Individual not eligible for DTC

Where you are not eligible for the DTC, attendant care expenses may be claimed as part of the METC if a medical practitioner certifies that the support worker is required due to a mental or physical infirmity that makes you dependent on others for your personal needs for a prolonged period of time. The support worker must be full-time, and the care must occur in the home in which you live.

METC for nursing home costs

A nursing home, sometimes referred to as a long-term care facility, is one that provides 24-hour care, including nursing care, for people who are unable to care for themselves. The CRA does not consider a retirement home to qualify for this, even if 24-hour nursing care is provided there. A claim for the METC for nursing home expenses similarly depends on whether or not you are eligible for the DTC.

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15 See Income Tax Folio S1-F1-C1, Medical Expense Tax Credit for more information.

16 *Zaffino v. The Queen*, 2007 TCC 388.

17 *Olney v. The Queen*, 2014 TCC 262.

18 Since these cases were heard under the Tax Court's "informal procedure" (the equivalent of small claims court for tax matters), the decisions, while influential, are not legally binding on future judges.

19 This amount doubles to $20,000 in the year of death.

DTC-eligible individual

Where you are eligible for the DTC, the METC may be claimed for the cost of full-time care in a nursing home. Qualifying nursing home fees include amounts paid for food, accommodation, nursing care, maintenance and social programming. Just as for attendant care expenses discussed above, fees paid for identifiable personal items, such as the cost of a hairdresser, would not qualify.

When the METC is claimed for nursing home fees, no claim may be made for the DTC; however, it may still be possible to claim attendant care expenses. For example, suppose that Laura, who has a disability, lives in a nursing home, and in addition to the care provided by the nursing home, a separate caregiver, such as a companion, is hired for her care. It may be possible to claim the METC for the cost of Laura's personal caregiver as attendant care expenses, up to the $10,000 annual limit discussed above, in addition to the METC claim for the nursing home expenses. This is possible even though Laura cannot not claim the DTC when she claims the nursing home expenses.

Alternatively, if you instead want to claim the DTC, a portion of the nursing home costs may be claimed as attendant care costs up to a limit of $10,000 (as described above.) In order to do this, however, the nursing home must provide an allocation of costs indicating the portion relating to attendant care. This means that Laura could instead choose to claim the DTC, and use up to $10,000 of attendant care expenses for the METC, whether or not she has the private caregiver.

Individual not eligible for DTC

Where you are not eligible for the DTC, claiming the METC for the cost of nursing home care will be permitted only where you are, and will continue to be in the foreseeable future, dependent on others for your personal needs due to a lack of normal mental capacity. This must be certified by a medical practitioner.

METC for other seniors' residences

The cost of most seniors' residences will not be eligible for the METC, unless they fall under the category of attendant care or nursing home care.

Planning in advance[20]

As we age, it's possible that we may find ourselves in a position where we can no longer make important decisions, whether they be financial, medical or decisions concerning personal care. It's important to let someone know how you want your finances to be managed and the type of care you would like to receive if this should happen to you.

Powers of Attorney

A Power of Attorney (POA)[21] allows you to name another person (known as your "attorney") to make decisions and conduct transactions on your behalf. You can select anyone of legal age, or even a trust company, to serve as your attorney under a POA. When deciding who to name as attorney, choose someone that you trust, who knows you well and who is willing and able to act on your behalf.

There are two types of POA:

- A **POA for Property** (also known as a Financial POA) allows your attorney to conduct financial transactions for you.
- A **POA for Personal Care**[22] allows your attorney to make decisions for your health care in the event of your incapacity.

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20 Further information about these issues can be found in the CIBC report, The Family Playbook: Planning for the Care of Your Aging Parents.

21 Depending on your province of residence, a Representation Agreement may serve the same purpose as a Power of Attorney. In Quebec, a Power of Attorney is also called a Mandate and the attorney is called the "mandatary".

22 A power of attorney for personal care may also be known as a healthcare directive or representation agreement depending on the province. In Quebec, a Protection Mandate covers personal care.

Both of these documents are important in advanced planning for your care.[23] For example, your family may need a power of attorney in place in order to access your funds to pay for care, or to sell a home, if necessary. Yet, according to an earlier CIBC study, only 1 in 4 Canadians have a POA for property or personal care in place.[24]

A POA for Personal Care takes effect when you are incapable of making personal decisions. Documenting your choices about how you want to be cared for should the need arise can provide invaluable guidance to your attorney.

You should also discuss your documented wishes with your attorney. While talking openly about care needs can be a difficult and emotionally-charged task, it can also be reassuring, particularly if you talk about it well before you need care so you can decide on and explain your wishes. A discussion about your wishes also allows your attorney to ask questions or raise issues that you may not have considered yet. Advanced planning can give you peace of mind and confidence that your preferences for future health care will be followed and that you are financially prepared for the associated costs.[25]

Joint accounts

While making certain non-registered financial accounts or property joint with another adult may seem like a simple way to make funds accessible to one to manage the financial affairs for the other, it's important to consider the tax and estate planning issues, as well as other concerns, such as tax reporting or creditor and family rights interests, that may arise with this approach.[26]

For instance, converting ownership of an investment or property into joint ownership may result in a disposition for income tax purposes. Whether or not this occurs is not necessarily straightforward since it depends on the intent of the original owner. For example, if the original owner's intent is to make a gift to the new holder of half the value of the asset and have that person take full ownership of the asset upon death, then there would probably be a disposition of half of the value that would trigger income tax consequences. If, however, the intent of the transfer is to ease estate administration and not to gift or change beneficial ownership, there may not be a disposition. The transferee could be considered as holding the assets in trust for the transferor and then their estate once the transferor died.[27, 28]

When arrangements are informal, misunderstandings can be common. For example, suppose Karen was having difficulty managing her finances as she aged and wanted one of her three children to help her. Karen added her daughter, Rebecca, as a joint holder on her bank account so that Rebecca would have access to the account to pay Karen's bills and withdraw cash for ongoing purchases for Karen. What Karen did not realize was that, even though she did not intend for Rebecca to have the funds for her own personal use, as a joint account holder Rebecca might be able use all the bank account funds in any way that she wished, and the funds could belong solely to Rebecca upon Karen's death.

It might be preferable for Karen to name Rebecca as the attorney under a POA for Property, so that Rebecca's duties in managing the funds for Karen's expenses are clear. Karen could then leave the balance in the account to estate beneficiaries of her choosing, which could include her other children, as well as Rebecca.

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23 Further information about planning with Powers of Attorney may be found in the CIBC report You've Got the Power! Planning for Incapacity.

24 CIBC Aging parent poll, April 2017.

25 For further information on health care directives see the CIBC report, The Family Playbook: Planning for the Care of Your Aging Parents.

26 For more information about joint accounts, see the CIBC report titled, "Income tax consequences of making an asset joint with an adult child", which is available from your CIBC advisor.

27 In this case, on the original owner's death, the assets would probably be subject to probate fees, depending on the provincial legislation and related legal interpretations.

28 A new rule, for tax years ending on December 31, 2023 (or later), requires some trusts to start filing T3 returns when they were previously exempt from such filing. This specifically includes trusts which act as an agent for the trust's beneficiaries, commonly known as bare trusts. Additional information is available in the CIBC report Enhanced trust reporting rules.

Conclusion

If you may require care one day, and, especially if you expect a family member to take on a caregiver role, it's important to do some planning in advance of your need for care. This can include anything from ensuring the right documentation is in place (for example, a POA for personal or property) to making sure all legal documents are easy to find should someone need to step in and help. It not only will be helpful to your family to know your wishes as to the type of care to be provided, but it's also important to give some thought to the cost of the desired care, how that care will be funded, and any tax relief that may be available to defray the costs. As with any complicated tax matters, you may wish to consult a tax advisor to determine the tax credits available to you.

Jamie Golombek, FCPA, FCA, CPA (IL), CFP, CLU, TEP is the Managing Director, Tax and Estate Planning with CIBC Private Wealth, Toronto.

jamie.golombek@cibc.com

Debbie Pearl-Weinberg, LL.B. is the Executive Director, Tax and Estate Planning with CIBC Private Wealth, Toronto.

debbie.pearl-weinberg@cibc.com