

Becoming the family CFO:

How to manage the financial side of a parent's care



Key takeaways

- Start with your parent's available resources before assuming their care needs to be funded from your own savings.
- Understand how care expenses may be treated for tax purposes before deciding who should pay them.
- Put the arrangement in writing so everyone understands the expectations, especially if family members are sharing costs.
- Factor ongoing support for a parent into your own plan so it doesn't derail your financial goals.

When a parent's care needs increase, adult children may find themselves coordinating appointments, reviewing bills, managing accounts and figuring out how to cover the related expenses. **That can become more complicated** when others are involved or when you're balancing a parent's needs with your own household expenses and long-term goals.

The key is to approach caregiving as a **financial planning decision**, not simply another expense to absorb. Before you start paying for a parent's care, understand what resources are available, how costs may be treated for tax purposes and how family members will share responsibility.

Start with your parent's resources and estate plan

Now that you're becoming more involved with your parent's finances, it's important to understand their financial resources and wishes.

Depending on their circumstances, your parent might be able to contribute to their care costs. Their resources may include cash and investment accounts, retirement income, proceeds from the sale of a property, insurance or other benefits. Before deciding how much they'll pay, if anything, look at the broader picture. Make a list of:

- Your parent's income and available assets
- Current and expected care costs
- Costs covered by insurance, Medicare or other benefits
- Significant ongoing expenses for each contributing family member
- Resources that may need to be saved for your parent's future needs

This can help clarify what your parent can contribute, what may need to be preserved and whether a gap remains.

Once you have a clearer picture, consider how those resources are structured and who has authority to manage them. If your parent has an estate plan, revisit their estate documents, account ownership and powers of attorney. Make sure you have the appropriate authority to act on their behalf. If they do not have an estate plan, you might consider meeting with an advisor to help clarify their wishes and put the appropriate documents in place.

Understand the tax treatment before paying

Care expenses may have tax implications for both the person receiving care and the family members who help pay for it. The potential tax treatment depends on factors such as who pays the expenses and whether the person receiving care qualifies as a dependent.

For example, if you itemize deductions, you may be able to deduct certain unreimbursed medical expenses that you paid for an eligible parent. Generally, only qualifying expenses that exceed 7.5% of your adjusted gross income are deductible. Certain long-term care expenses may also qualify.¹



If multiple family members contribute to a parent's care costs and no one provides more than half, a multiple support agreement may allow one qualifying family member to claim the parent as a dependent.^{2,3}

The goal is to understand who is paying which expenses, and how your parent's support is being handled, before assuming an expense will provide a tax benefit. Keep records of payments and reimbursements so you can document the arrangement if needed.

Decide whether family support is a gift or a loan

Before you or a relative provides financial support to your parent, determine whether the money is intended as a gift or a loan. The distinction can have tax and estate-planning implications.

If it's a gift, make that clear from the beginning. A gift generally isn't taxable income to the person receiving it, but the person making the gift may have federal gift-tax reporting considerations, particularly for larger gifts. In addition, payments made directly to a medical care provider for someone else's qualifying medical expenses are generally excluded from federal gift tax, regardless of the amount.⁴

If the money is expected to be repaid, treat it as a loan from the outset. A written agreement can establish the amount, interest rate, repayment terms and what happens if your parent cannot repay. Interest generally counts as taxable income to the lender, and loans with little or no interest can have additional tax implications.

Clarifying the arrangement upfront can help prevent confusion later, particularly when multiple family members are providing support or a loan remains outstanding as part of your parent's estate.

If siblings are sharing costs, make the arrangement clear

If you're sharing your parent's care costs with siblings or other relatives, consider putting the arrangement in writing. You could outline:

- Which expenses are being shared
- How each person's contribution is determined
- Who pays bills directly
- How reimbursements will work, if applicable
- How often the arrangement will be reviewed
- What happens if care needs or family circumstances change

The split doesn't have to be equal. One family member may contribute more financially while another provides more hands-on care or manages day-to-day responsibilities. What matters is that everyone understands the arrangement and their responsibilities before significant costs accumulate.

Protect your own financial plan

It can be easy to focus so heavily on a parent's immediate needs that your own financial plan becomes an afterthought.

Before committing to ongoing support, consider what the additional expense could mean for your cash flow, emergency reserves, retirement savings, insurance coverage and other household goals. A one-time contribution may have a different impact than support that could continue for years, so consider both your immediate and longer-term obligations.

Make the full financial picture easier to manage

Becoming the person who helps manage a parent's care can feel like taking on a second financial life. You may be coordinating your parent's resources, family contributions and your own household plan at the same time.

You don't have to solve every question at once. Start by understanding what your parent can contribute, clarifying how the family will address any remaining costs and documenting the arrangement. Your advisor can help you review everything together and consider how the decisions you make today may affect your own long-term financial plan.

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¹IRS. [Medical, nursing home, special care expenses, 2026](#)

²IRS. [For caregivers, 2026](#)

³IRS. [Publication 550 \(2025\), Investment Income and Expenses](#)

⁴IRS. [Instructions for Form 709](#)

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