

Avoid leaving your children with frail-care costs by planning early

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When drawing up retirement plans, we all should factor in the costs of frail care.

Question: I booked my mother into a frail-care facility recently that costs R30,000 a month. Unfortunately, her pension is not large enough, and I've had to step in and subsidise the cost. What can I do now to prevent my children from having to face a similar situation?

Answer: The reality is that one in 10 of us is likely to live to 100, so there is a very good chance that we will need frail care at some stage in our lives. We should therefore factor it into our retirement plans.

When I help people with their retirement plans, I usually factor in three additional items that are over and above the standard living expenses:

- A budget for travel up to the age of 80. Most retirees have children living in other cities or countries, have time on their hands and want to go and visit them and spoil the grandchildren;
- A budget for medical aid premiums that increase by more than the inflation rate; and
- A frail-care budget from age 85 onwards. Even if you never end up needing a formal frail-care facility, having that buffer built into your plan means you can afford extra home-care support, nursing or assisted living without depending on your children.

There are ways in which you can make provision for this in your retirement plan.

Read more: [Love the view, trust the plan — choosing where to live your best life in your old age](#)

Read more: [How to work out the right investment for your retirement income](#)

Set aside funds for frail care

You could set up a separate investment bucket and earmark it as your future frail-care fund. As this pot will not be used for many years, you can afford to be a lot more aggressive in your investment approach.

Buy a voluntary life annuity when you are about to move into frail care

A voluntary life annuity is a product that converts a cash lump sum into a lifelong income. The older you are when you buy it, the higher the income – and you can structure it to increase with inflation.

For example, if you invest R1-million at age 85, you might receive about R14,000 a month for life, increasing by 5% a year. That income could be used to offset frail-care costs. Remember, however, that you need to be younger than 90 to be able to buy one of these products.

Convert all or part of your living annuity into a life annuity.

Many retirees already own living annuities. You are allowed to convert a portion of your living annuity into a life annuity later in life. This conversion provides a predictable income stream. Remember, a life annuity ceases on your death (unless you choose a joint-life option), so it doesn't leave an inheritance. However, it does ensure you're not a financial burden while you're alive.

The income from a life annuity will be a lot higher than that from a living annuity.

Buy frail-care cover

You can use a whole-of-life disability product to cover this need. There are two main types of disability products:

- Occupation-based disability pays out if you can't perform your job. It is ideal for income protection during your working career; and
- Functional impairment or "activities-of-daily-living" cover pays when you lose independence as a result of illness, age or injury.

The second category is the one to focus on for frail-care planning. It covers you when you can't do basic activities such as dressing yourself, bathing, eating unaided or getting out of bed.

The good news is that the cost of this cover is reasonable. I recently did a quote for a 59-year-old needing R30,000 a month cover that increases with inflation. The premiums came in at R2,000 a month.

The maximum entry age for these policies is typically 60, so this is something you need to act on well before retirement.

Finally, discuss frail-care planning with your children. Let them know that you're taking steps to protect your independence. It relieves them of anxiety and keeps everyone on the same page. **DM**

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