Having a plan for long-term care

Having a strategy to protect yourself, your family, and your assets against the potentially significant impact of an unexpected long-term injury or illness is a critical component to ensuring you meet your long-term financial goals, live the retirement you desire and maintain the ability to pass on a legacy to those you love. Below is an exploration of four common approaches you can take to covering these expenses.

Why might you need long-term care?

Long-term care becomes necessary if you ever need assistance with daily living activities or need specialized care for a long-term illness or injury.

Why is it important to have a plan to meet this expense?

- Health insurance does not cover daily extended care
- Medicare and Medicaid have restrictions (see table on page 2)
- Long-term care costs can be significant and vary based on your location and the services required. The table below shows a range of costs per type of care and the respective projected 5-year growth in cost:[2]

Type of care	National median annual cost	Projected 5-yr inflation-adjusted growth of annual cost
Assisted Living Facility	$64,200	$74,425
Nursing home with semi-private room	$104,028	$120,597
Nursing home with private room	$116,796	$194,758

Approximately 52% of individuals aged 65 or older will require some long-term care in their lifetime.[1]

Ways to fund long-term care services

There are basically four ways to fund your care:

- **Self fund –** You spend your retirement funds or funds earmarked for long-term care, home equity, etc.
- **Family or friends –** You rely on family or friends to be your care providers.
- **Government assistance –** You comply with the qualification requirements and will receive care in accordance with government programs.
- **Long-term care insurance –** You shift the burden of paying for care to an insurance company by owning a long-term care policy or a life insurance policy with a long-term care rider, available for an additional fee.

Considerations for each funding method

The table on the following page details considerations for each method and answers the following three questions:

- **Will it help protect assets?**
- **Will it potentially reduce the family burden?**
- **Will I have choice of provider?**

LIFE INSURANCE WITH A LONG-TERM CARE RIDER

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	Long-term care funding method considerations	Helps protect assets?	Potentially reduces burden?*	Choice of provider?
Self fund	• Market conditions could impact whether you have enough money for the long-term.		✓	✓
Family or friends	• Providing care is physically and emotionally demanding. • Spouses may not be able to assist with certain activities. • Adult children/grandchildren may not live close enough to help	✓		
Government assistance	• **Medicare:** You must meet certain conditions; covers up to 100 days in a skilled nursing facility; covers unlimited in-home care, but it must be physician-ordered every 60 days; may not allow a choice in provider.[3] • **Medicaid:** Requires single individuals to deplete countable assets to roughly $2,000;[4] allows married couples more – up to $154,140 for non-applying spouses.[5] • Asset ownership transfer strategies are complicated, and you will likely need legal assistance.		✓	
Long-term care insurance	Long-term care insurance helps shift the burden of paying for care to an insurance company. Common options include stand-alone long-term care insurance; a life insurance/long-term care hybrid policy; and life insurance with a chronic care rider. While each option varies widely in cost and benefits and functions uniquely, each solution can help you protect the need to draw down on existing assets and potentially reduce the burden of care on family members. Depending on product design, premium rates may be subject to increase. It is also important that you adequately fund them to avoid lapse.	✓	✓	✓

* Eliminating the financial burden to family depends on factors that include the individual's savings, type of coverage and care available; no option fully eliminates this burden.

Deciding the method that's best for you

- Your health, savings, income sources and family situation will all factor into this important decision. And because every individual's or family's situation is unique, no one solution may fully address your needs.
- It's a good idea to involve loved ones in a long-term care decision to know such things as wishes to protect family assets from costs, willingness or ability to be available for care later, etc.
- If you have sufficient assets to fund long-term care as well as other retirement objectives, self- funding may be a viable option. Work with your financial advisor to determine how much to earmark.
- If you can't (or don't want to) self-fund but exceed government assistance limitations, consider long-term care insurance.
  - When you purchase your policy, you can choose the amount, duration and optional features that align with your needs and desired premium.
  - You can opt for less coverage and a longer elimination period, which will reduce the availability of benefits but can lower your cost. Partially self-funding will further reduce costs. Your financial advisor can help you determine the right coverage amount and elimination period that makes the best sense for you.

[1] U.S. Department of Health and Human Services – Administration on Aging, LongTermCare.gov, https://aspe.hhs.gov/reports/long-term-services-supports-older-americans-risks-financing-research-brief-0

[2] Genworth cost of care study , Dec. 2023. https://www.genworth.com/aging-and-you/finances/cost-of-care.html

[3,4] U.S. Department of Health and Human Services – Administration on Aging, LongTermCare.gov, "Basic Needs - Understanding Long-Term Care," Mar. 2024. https://acl.gov/ltc/medicare-medicaid-and-more/medicaid/medicaid-eligibility; [4] Varies by state.

[5] Amounts vary by state. U.S. Centers for Medicare & Medicaid Services, 2020 SSI and Spousal Impoverishment Standards https://www.medicaid.gov/media/166206 accessed March 2024.

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