

# Getting Long-Term Care Planning Right: Smart Approaches for People at All Stages

**PROBLEM:** When it comes to planning a safe and secure retirement, long-term care (LTC) remains a confusing and unaddressed challenge to many people's financial security.



## Why are people not planning for this critical issue?

- ✓ Seems remote, far off
- ✓ False sense of security
- ✓ Don't want to think about it
- ✓ Think Medicare/Medicaid will pay for it
- ✓ Don't expect to need long-term care
- ✓ My family will take care of me
- ✓ It's too expensive
- ✓ I'll just pay for it out of pocket
- ✓ Questionable value

## Emotional and financial risks to families

- ✓ Family strife about responsibilities and care arrangements
- ✓ Anguish about choosing best care vs. high cost of care
- ✓ Sandwich generation mired with guilt, weariness, and financial strain
- ✓ Lost wages/missed work for some family members
- ✓ A smaller or non-existent estate inheritance

## KEY #1:

Long-term care is MORE than just the popular image of an elderly person sitting alone in a nursing home.

- ✓ **Long-Term Care definition:** A variety of services designed to meet a person's health and/or personal care needs so that they can live as independently and safely as possible when they can no longer perform everyday activities on their own.
- ✓ **Activities of Daily Living (ADLs):** Bathing, dressing, eating, transferring, toileting, and incontinence
- ✓ **Who will need LTC?** As of 2021, someone turning 65 has an almost 70% chance of needing long-term care support going forward.
- ✓ **Five LTC settings:** Nursing home, at-home, community-based care, independent living, assisted living
- ✓ **Cost of LTC per year:** National median for one person: \$51,600 to \$105,852

## KEY #2:

Relying on Medicare or Medicaid is NOT a plan most people want to rely on for long-term care — and many aren't eligible, anyway.

- ✓ Medicare does not pay for LTC, only limited short-term care and skilled nursing.
- ✓ Medicaid only pays for LTC for very low-income patients.
- ✓ In most states, applicants must only have \$2,000 or less of assets and very limited income.
- ✓ Even if you use up your assets, there's a 5-year lookback period you must pass before being eligible; additionally, being eligible still doesn't guarantee LTC. There are bed shortages and waiting lists.

## KEY #3:

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Given historic problems with long-term care insurance, it's understandable people have avoided making a plan.

- ✓ Problems with original LTC insurance ultimately led to skyrocketing premiums, refusal to pay for care, policy cancellations, litigation, and insurance companies getting out of LTC business.
- ✓ Regulators since 1993 have enacted a wide range of consumer protections that addressed most of the problems of original LTC insurance, though legacy policies are still causing problems.

## KEY #4:

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New approaches to planning for long-term care address people's skepticism and provide a wide range of flexible options for people at all stages of financial planning and health.

- ✓ Improved traditional LTC insurance
- ✓ Hybrid products with LTC benefits such as life insurance or an annuity
- ✓ Other strategies to cover LTC costs: Reverse mortgage/home equity line of credit (HELOC); existing life insurance with accelerated benefits; pre-tax savings (traditional IRA or Roth IRA) Health Savings Account (HSA)
- ✓ You can receive care in your home. Having a plan is important. It doesn't mean it necessarily has to cover ALL possible costs
- ✓ 3 questions to keep in mind: **1)** Who will provide care? **2)** Where do you want the care? **3)** How will you pay for care?

**SOLUTION:** In order to feel safe and secure about your retirement plan, you need a custom approach—a “real plan”—for how you'll pay for long term care.

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