

# Planning for Long-Term Care

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**Living a long life requires more than good luck.  
What's your plan?**

# Key Considerations

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- You will most likely live a long life
- The longer you live, the more likely it is that you will need care
- If you do need long-term care, it could impact your family as well as your retirement plan
- How will you pay for your care if you need it?

# Today's Objectives

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**Our goal is that by the end of today's presentation, you will:**

- Think differently about living a long life.
  - We will discuss longevity and its potential impact on your retirement plan
- Consider whether you need a *new plan* that provides for your care.
  - We will provide insight into the potential effects of a long-term illness on a family and on retirement assets
- Explore ways to protect your future.

# What If You Got Sick?

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## **Then...**

- People had shorter life spans
- If you had a stroke, a heart attack or cancer, your chances of surviving were far less than they are today

## **Now...**

- With advances in science and medicine, people are living longer than before
- They can spend more time in retirement and live a healthier lifestyle

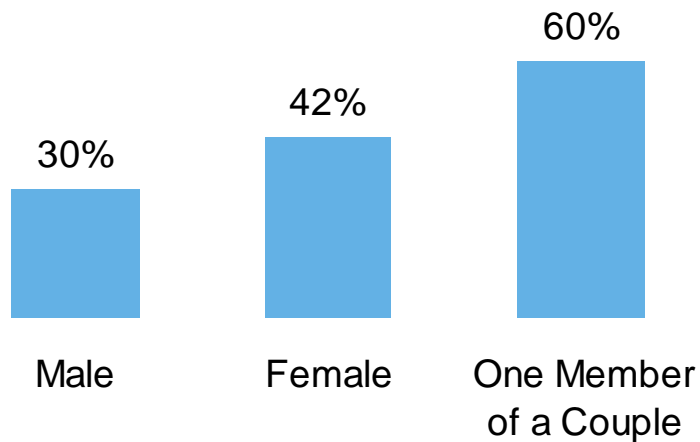
# Today's Reality...

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## Taking Your Chances . . .

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Age 65, Chances of Living to Age 90



“If I’d known I was going to live this long, I’d have taken better care of myself.”

Eubie Blake, 1883–1983  
Jazz Pianist, Composer

Society of Actuaries Key Findings and Issues: Longevity, 2011. Figures assume a person is in good health.

# Long-Term Care Defined

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## **Long-term care includes care and services to a person:**

- who has a severe cognitive impairment, or
- who is unable to perform 2 of 6 activities of daily living (ADLs) such as toileting, bathing, dressing, eating, transferring and continence for a period expected to last at least 90 days

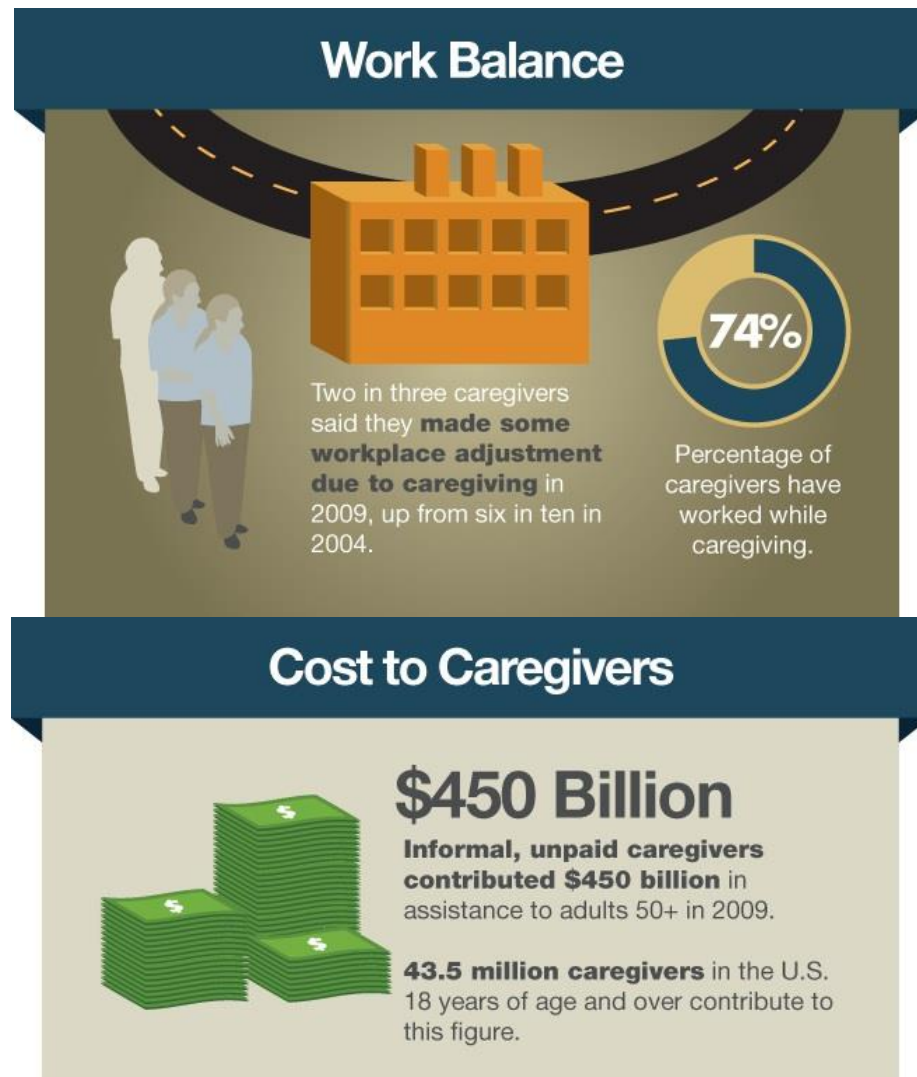
## **Involves both custodial care and skilled care**

- **Custodial care:** assistance with activities of daily living (ADLs) or supervision caused by a severe cognitive impairment
- **Skilled care:** complicated care that can only be administered and executed by a doctor and/or skilled nursing staff

## **Long-term care typically involves services such as:**

- Home health care
- Adult day care
- Assisted living care
- Skilled nursing home care
- Hospice and respite care

# The Impact of Long-Term Care





# Your Perspective

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- **“I don’t want my kids to take care of me.”**
  - Your children want to give you the same freedom and independence you want for yourself
  - They may not be able to afford the high cost of care while planning for their own financial goals
  - However, they will take care of you because they love you and want the best for you
  
- **“My spouse will take care of me.”**
  - Your spouse may be too sick or frail to care for you
  - Many times, providing care for a chronically ill person leads to the caregiver also becoming ill
  - As a result, your children may be required to care for both you and your spouse

# Your Children's Perspective

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- “Will I be able to take care of my parents?”
- “How will I approach the topic of them getting older and needing care?”
- “Will I be able to take care of them and balance the challenges of my own life?”
- “What will the impact be on me and my siblings?”
- “Do they already have a plan for their long-term care that I don’t know about?”
  - “Is it a realistic plan?”
  - “Will there be funds available to provide for that plan?”

# The Costs of Long-Term Care

Long-term-care costs have soared in recent years and are expected to rise even higher. According to the Genworth 2012 Cost of Care Survey, here's what you can expect to pay for a private care nursing home, assuming a 5% annual increase in costs<sup>4</sup> (Keep in mind that these costs are for one individual only. For a couple, costs could be doubled.):

## In 20 Years

One year: \$204,759  
Three years of care: \$645,502  
Five years of care: \$1,131,421

## In 10 Years

One year: \$125,704  
Three years of care: \$396,282  
Five years of care: \$694,595

## Today

One year: \$81,030  
Three years of care: \$255,447  
Five years of care: \$447,741

# Long-Term Care (LTC) Planning: A Three Step Process

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## Step 1

**Understand  
the need/risk**

Personal  
experiences  
Consequences of  
living a long life

## Step 2

**Develop a strategy to  
offset the risk**

LTC is a family issue  
There is risk to the family  
if there is no strategy  
Develop a strategy

## Step 3

**Implement  
the strategy**

LTC Insurance planning  
Self-funding  
Healthcare plan  
Caregiving plan

# What Is Your Plan?

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- Medicare
- Medicaid
- The Veterans Administration
- Self-funding
- Long-Term Care Insurance

# Medicare

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- Health insurance that pays for skilled, not custodial care
- Home health care – Medicare only covers skilled or rehabilitative services
- Adult day care – No Medicare coverage
- Assisted living care – No Medicare coverage
- Skilled nursing home – Medicare covers up to 100 days of care, only if skilled and/or rehabilitative services are required, and only after a 3-day hospital stay

**Note:** During the 100 days of Medicare coverage, Medicare health professionals perform an assessment to ensure that the recipient is still in need of skilled care. If only custodial care is necessary (i.e. the patient shows no signs of improvement despite skilled medical attention), Medicare funding may stop.

# Medicaid

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- Federal and state health insurance for those in financial need
- Home health care – Limited Medicaid coverage
- Adult day care – Limited Medicaid coverage
- Assisted living care – Limited Medicaid coverage
- Skilled nursing home – Medicaid covers custodial care, skilled care and rehabilitative services
- Most states have a *home and community based program* that makes limited funds available to keep people, who would otherwise be in a nursing home, in the community
- Services are generally limited and accompanied by long waits

**Note:** Medicaid is a state administered program. As a result, guidelines regarding eligibility and services may vary. Please contact your state's Medicaid office for details

# The Veterans Administration (VA)

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- A health care program for veterans
- Benefits are primarily allocated for those with severe service related illnesses
- Even if services are available, the VA will look at the veteran's ability to contribute to the cost of care

VA's nursing home programs include Community Living Centers, contract community nursing homes and state homes. Many veterans will receive inpatient long-term care through programs of VA or state homes.

Eligibility for VA nursing home care:

- Any veteran who has a service-connected disability rating of 70 percent or more;
- A veteran who is rated 60 percent service-connected and is unemployable or has an official rating of "permanent and total disabled;"
- A veteran with combined disability ratings of 70 percent or more;
- A veteran whose service-connected disability is clinically determined to require nursing home care;
- Nonservice-connected veterans and those officially referred to as "zero percent, noncompensable, service-connected" veterans who require nursing home care for any nonservice-connected disability and who meet income and asset criteria; or
- If space and resources are available, other veterans on a case-by-case basis with priority given to service-connected veterans and those who need care for post-acute rehabilitation, respite, hospice, geriatric evaluation and management, or spinal cord injury.

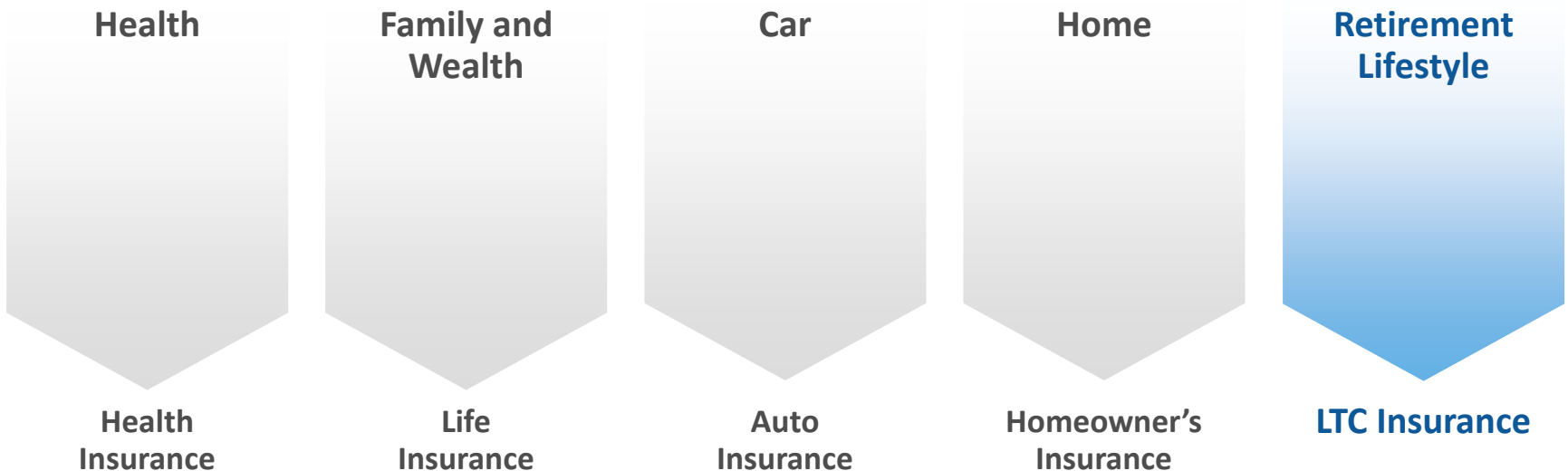
Source: <http://va.gov/GERIATRICS/Guide/LongTermCare/index.asp> (VA Long-Term Care website)



# Risk Management Strategies:

## Is Self-funding the right strategy?

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*Why not help protect the retirement lifestyle that you have worked your entire life to create?*

# Long-Term Care Insurance (LTCI)

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- **Insurance that can be used to help pay for the costs of long-term care**
  - Covers both skilled care and custodial care, including the continuum of care: home health care, adult day care, assisted living, skilled nursing home care, and hospice and respite care.
- **Protects your family**
  - LTCI doesn't replace the need for the care your family will provide; instead, it allows the caregiver to take care of you longer and better.
- **Protects your retirement portfolio so you don't have to divert retirement assets to pay for the cost of care**
  - Your retirement portfolio can function the way it was intended: to produce retirement income.

# Evaluating A Long-Term Care Insurance Policy: Policy Characteristics

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- Underwritten by a well-respected carrier with a history of stability
- Tax-qualified policy (meets LTC industry regulation standards)
- Guaranteed renewable
- No prior hospitalization required to qualify for benefits
- Well defined benefit triggers
- No skilled care requirement
- Home Health Care – no confinement requirement
- Waiver of premium
- Covers mental and emotional disorders

# Key Questions to Ask When Considering Long-Term Care Insurance

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**When shopping for Long-Term Care Insurance, compare the features of policies and consider the following questions:**

<b>Coverage</b>	<ul style="list-style-type: none"><li>▪ What services are included in the coverage?</li><li>▪ Does the policy cover all types of care – home healthcare, adult day care, assisted living &amp; skilled nursing facilities?</li></ul>
<b>Benefits</b>	<ul style="list-style-type: none"><li>▪ Are benefits paid monthly or daily?</li><li>▪ Does the policy have a maximum lifetime limit?</li><li>▪ How are benefits triggered?</li></ul>
<b>Elimination Period</b>	<ul style="list-style-type: none"><li>▪ How long will I need to wait before I can begin receiving benefits? Typically the longer the period, the lower the cost of the policy.</li><li>▪ Can I afford to pay for long-term care services out of pocket until the elimination period ends?</li></ul>
<b>Inflation Protection</b>	<ul style="list-style-type: none"><li>▪ Does the policy have benefit protection features? Some policies have inflation-protection riders (available for an additional cost) that can help keep the value of your coverage in pace with the rising cost of care.</li></ul>
<b>Tax Treatment</b>	<ul style="list-style-type: none"><li>▪ Are there tax implications when purchasing a long-term care insurance policy or receiving benefits?</li><li>▪ Can I deduct this premium (as an individual or business owner)? Consult a tax advisor to learn more about the tax implications of long-term care insurance.</li></ul>

# Evaluating A Long-Term Care Insurance Policy: Financial Advisor

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- Is the Financial Advisor trying to sell me insurance or is she/he helping me to solve my long-term care needs?
- Is the Financial Advisor asking the appropriate questions and listening to my answers and concerns?
- What are the Financial Advisor's credentials?
- Does the Financial Advisor conduct business in a professional manner?
- What carrier(s) is the Financial Advisor representing?

# Options Beyond Long-Term Care Insurance

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- A number of life insurance providers offer **whole life or universal life policies with riders** that accelerate benefits for long-term care needs
- These **“linked-benefit”** policies are available on a single-premium or flexible premium payment basis. In addition, these policies can provide:
  - Benefits to help meet long-term care expenses
  - Your beneficiaries with a traditional death benefit in the event you do not require long-term care
  - Return your premiums if you change your mind and decide you no longer want coverage (may be available at additional cost)\*

\*The amount of premium returned is adjusted for any loans, withdrawals, and benefits paid and may be taxable.

# Key Considerations/Planning for Your Future

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- Have a discussion with your family about your long-term care needs.
- Start looking at support systems, either at home or where you plan to live after retirement.
- Evaluate what long-term care resources you qualify for, should you need it.
- Determine if you have sufficient financial resources should you need to supplement the cost of your care.

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**Any Questions?**