

## **Are you ready for what the future may bring?**

Long-term care is something few of us want to talk about or plan for. Yet the reality is that roughly four in ten of us age 65 or older will require some type of long-term care during our lifetime—in some cases, for the rest of our life.

This raises a myriad of difficult questions:

- Who will make decisions about my care if I am unable?
- How can I make sure I'm not a burden to my family?
- How can I take care of my spouse or aging parents?
- What options are available for long-term health care?
- How much will those options cost?
- Should I buy long-term care insurance?

Many financial planners believe that Americans are not financially prepared to deal with the issue of long-term health care. We're living longer, yet living longer does not necessarily mean living in perfect health. Compounding this challenge is that we are quickly becoming a "sandwiched generation," caring for both our children and our parents at the same time. Soon, we'll begin to see two generations in retirement at the same time.

While traditional long-term health care options are expanding, so are costs. The national average annual cost for a nursing home stay, for example, is now over \$50,000 according to studies—double in some areas. Costs are projected to double in the next decade. Furthermore, many people over-estimate the role of government in paying for long-term care.

The cost to caregivers also can be high. Studies show that unpaid family and friends provide the bulk of long-term health care services. In fact, one in four U.S. households are involved in caring for a family member, friend or neighbor over the age of 50. Caregivers often sacrifice wage income to care for loved ones and pay for expenses out of their own savings.

A caregiver may feel deep resentment for the time and financial commitment they must make to an aging relative or friend—and then feel deep guilt about that resentment. Family and leisure activities decrease and the burden of lost time can feel overwhelming.

A financial planner can help you sift through the many decisions and choices you'll be facing. Taking the time to plan now, before there is a need, will help give you the peace of mind that comes with knowing you are prepared for difficult times.



## **Planning for the inevitable**

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Most seniors won't admit they are becoming more forgetful, losing their balance, becoming ill, or simply requiring more attention. Afraid to lose their independence or have to leave their home, some seniors hide problems they may be facing.

As basic day-to-day living becomes more difficult, the aging face a host of safety, health and financial issues. In-home accidents, appliances left on and forgetfulness in paying bills are just a few examples of the problems that can spiral out of control and become dangerous if no assistance is available.

Consequently, one of the first steps to preparing is to better understand what issues you or someone you love may face. It's critical to open communication with the entire family before the need arises. Proper planning and open discussion among family members can promote effective financial planning, ensure that the best alternatives for care are chosen, confirm that everyone agrees on a plan of action and help loved ones avoid being caught unprepared.

For yourself, you can take more control if you:

- Understand the signs of aging
- Communicate with your family in advance of any health problems
- Prepare both financially and legally
- Know the availability of community services before major problems occur
- Decide while you are well how you want to handle situations
- Organize the resources that might be required later
- Share your planning process and decisions with the people closest to you
- Include in your planning research long-term care insurance to help pay for the financial costs

If you think you might some day be playing the role of the caregiver to a parent or other loved one, you can help prepare by:

- Paying attention to the warning signs of aging
- Making copies of their living will
- Looking into nursing homes or other housing options before they're needed
- Talking with them about the many issues surrounding long-term health care
- Getting to know their doctors, bankers, lawyers, and financial planners
- Checking their home for any potential safety problems
- Increasing communication with your siblings

## **Today's options**

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At one time, long-term health care choices were limited. You lived in your own home, moved in with your kids or moved to a nursing home. There has been an explosion of new housing and care options, making the decision of what to do even more complicated. With all these new choices, you now need to think through not only the financial implications of your decision but also your actual needs in terms of living, health care and lifestyle choices.

Here are several options for long-term care:

- 1. Nursing homes.** While most commonly thought of when talking about long-term care, only one in five people requiring some type of long-term care actually live in a nursing home.
- 2. Assisted living.** You live in your own apartment, with services that may range from communal meals and staff-provided assistance such as housekeeping and medication, to skilled supervision of people with Alzheimer's disease.
- 3. Continuing care communities.** While you begin in your own apartment, you are guaranteed a gamut of services, from medication and housekeeping up to skilled nursing home care, depending on your needs.
- 4. Adult day care centers.** These may provide meals, limited medical care and social activities.
- 5. Adult foster care.** Supervised care in a private home, with services ranging from meals to assistance for bathing or dressing.
- 6. Home care.** This can include home-delivered meals, housekeeping, voluntary care by family members or friends, or paid care by home health aides up to around-the-clock skilled nursing care.

## Options to pay for long-term health care

Just as there are many options for obtaining long-term health care services, there are numerous options for paying for them. Unfortunately, this area abounds with many myths.

*Medicaid.* Many people assume that if they ever need long-term care, the government will pay for it. Indeed, the state/federal program of Medicaid foots the bills for roughly 70 percent of *nursing* home care in this country.

What many people don't realize is that they must meet severe income and asset restrictions in order to qualify. Unfortunately, many meet those restrictions only after they've depleted their hard-earned savings. And while some assets may be kept for a while, such as a home, Medicaid programs are required to recover expenses from the recipient's estate following the recipient's death. So heirs may be forced to sell the home or farm, for example, and turn the profits over to Medicaid.

Furthermore, the choice of nursing homes and quality of care are generally conceded to be much more limited compared with private-pay care. Medicaid also isn't always able to pay for assisted living, at-home care or other long-term care alternatives.

*Medicare and Medigap insurance.* People also mistakenly believe that Medicare, the federal health insurance program, will pay for long-term care. Medicare will pay for very limited home care and only up to 100 days for skilled nursing care following hospitalization. But most long-term care is custodial, not skilled. Supplemental

Medicare insurance—Medigap—pays only for skilled nursing care.

*Personal income and savings* Individuals pay roughly one-third of the nation's total long-term care costs out of pocket. According to the Alzheimer's Association, the average lifetime cost to care for a person with Alzheimer's is \$175,000, and one out of three families who care for a seriously ill family member depletes their savings.

*Life insurance.* Some policy holders may be able to borrow from the policy's cash value to pay for health care.

Some policies pay accelerated benefits—which can run as high as 90 to 95 percent of the policy's face value—but the insured must have a life expectancy no longer than 6 to 12 months. Insureds also may be able to sell their policy for a percentage of the face value, but again their life expectancy usually must be short. Some new life insurance policies will pay out a long-term care benefit each month—say two percent of the policy's death benefit—until the value of the policy is exhausted.

But in each of these cases, you're diminishing or giving up life insurance you bought to provide income for beneficiaries.

*Long-term care insurance.* The best option for many people, say planners, especially people with assets to protect, is to buy long-term care insurance. Today's policies are more comprehensive, giving policy holders more choice in benefits and facilities. LTC insurance reduces or prevents the depletion of household assets needed by the spouse or intended to be passed to heirs. Furthermore, it eliminates the reliance on children or other relatives to either provide care giving or help pay for care out of

their pockets. That's one reason some adult children buy long-term care insurance for their parents.

As financial planners point out, a person wouldn't think of going without homeowner's, medical, auto or life insurance. Why go without insurance that protects you from the financial devastation of long-term health care?

Today's private policies cover much more than nursing homes. Most private policies cover assisted living, adult day care, adult foster care, respite care for caregivers and home health care. For example, Medicaid often won't pay for assisted living and many assisted living facilities won't take Medicaid patients.

A private policy also gives you a better selection of nursing homes. Nursing homes frequently limit the number of Medicaid patients they take, thus forcing some people onto a wait list or into a home they don't like or that is farther away.



## **Buying a long-term care policy**

At what age should you buy a long-term care policy? Some experts argue that ideally any adult should have a policy because long-term care may be needed at any age—think of the paralyzed actor Christopher Reeve. But most planners recommend buying insurance at least by age 55–60. You're more apt to medically qualify at a younger age and premiums are much less expensive—they climb steeply as you age. Even if you end up paying premiums over many years before possibly needing care, the total cost will likely still be less than a year's nursing home stay.

Where should you buy a policy? Employer's increasingly are offering group long-term care

policies, usually paid for by the employees. Group plans often are more affordable than many private plans, but frequently are not as comprehensive in benefits.

The best strategy is to work with an adviser familiar with long-term care policies and select the one that's best for you, whether through your employer or an individual policy. You'll have many decisions to make regarding benefits, cost-of-living riders, waiting periods and so on, so it helps to have an expert in your corner.

## **Long-term health care preparations**

Select a team of experts, such as a CERTIFIED FINANCIAL PLANNER™ professional, a lawyer, an accountant and a life insurance underwriter to help with planning issues. With your team, you'll want to address some of the following issues:

- Draw up a health care power of attorney to appoint a representative to make health care decisions on your behalf
- Sign a living will, which spells out what life-sustaining medical treatment you wish should you become incapacitated
- Think about whether and under what circumstances hospice care might be chosen over medical treatment
- Draw up a durable power of attorney to allow a trusted person to help manage your financial assets
- Review property ownership and ways to protect it

- Draft or revise a will
- Explore the alternative living situations should you need long-term care
- Consider the implications of living with relatives or friends
- Gather information about all the personal care services available
- Make funeral arrangements now

## **Plan ahead**

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Most people put off long-term health care planning for as long as they can because it's such an uncomfortable topic to discuss. Planning forces us to deal with difficult issues that we may not feel ready to contemplate: the realities of aging, the decline of our health, and the loss of our independence. Yet through planning, you and your planner can place all these difficult questions on the table now when you can best deal with them instead of waiting until it's too late. A CFP® professional can help guide you through the maze of long-term health care planning, helping to save you time, money and anxiety.