

Understanding the basics of long term care

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When we invest, it's often to create a brighter future – an education that leads to a fulfilling career, or a retirement that offers more opportunities for leisure. Yet a sound financial plan is more than aspirational: It also can sustain quality of life when age and infirmity leave us more dependent upon others. March's Wealth Management Insights looks at long term care, and how planning for it now can lessen the burden we place on loved ones and increase our independence later in life.

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Less than one-third of Americans age 50 or older have started saving for long term care.
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What You Should Know:

1. Most Americans will require long term care.

- The U.S. Department of Health and Human Services estimates that 70% of Americans turning 65 will need long term care (LTC) at some point. This kind of care can include home health care, adult day care, assisted living and nursing home care.
- An AP-NORC Center poll found nearly 60% of respondents underestimate the costs for long term care. As baby boomers transition into their later years, the demand – and costs – for LTC services are expected to rise.
- The expense for long term care extends beyond those requiring care: A 2013 Genworth study found that caregivers spend \$8,000 of their own money when caring for loved ones, and

65% had to miss work to provide such care. Decisions on LTC should consider your family as well as your own independence.

2. Medicare does not pay for this kind of care.

- Medicare and most health insurance policies do not pay for assistance with activities of daily living (ADLs) like bathing, dressing and eating. These activities make up the majority of long term care services.
- Medicaid pays for the largest share of LTC services, but only for eligible individuals whose income is below a certain threshold.
- There is renewed interest in long term care insurance policies, many of which provide tax-advantaged benefits for qualified expenses. ▶

3. Sound LTC planning accounts for several variables.

- Because health history determines one's insurability, product and cost, insurance may not be the best solution for those in poor health.
- The type and length of care can vary widely. Although the average stay in a nursing home, for example, is about three years, an individual's own LTC requirements may be 20 years or more.
- Where you live makes a difference – aging-friendly communities have plentiful bus lines, senior centers and in-home service providers, as well as convenient medical and adult day care facilities.
- Funding for LTC planning can influence other elements in a financial plan, such as wealth transfer, asset protection and coverage for income-producing assets.

What you should do now:

Just as long term care needs differ from person to person, so too do expectations for care and sources for funding. That's why it's important to consider not just the needs of those receiving care, but the needs and capabilities of caregivers as well. A Baird Financial Advisor can help create a plan that addresses your LTC wishes as well as those of your loved ones. ■