



The cost of long-term care

Overview

The importance of asking, what if?

◆ **Tom and Carol are the living definition of retirement redefined.**

Both experienced long and lucrative careers: Tom as a partner in an accounting firm, and Carol as an executive secretary.

Their three sons left the nest years ago and started families of their own. Now the two of them are free to pass the time fulfilling the dreams they often visualized during their 40-year marriage.

Traveling. Volunteering. Dining out. Enjoying the grandkids.

But Tom and Carol have one nagging worry. Recently, a close friend suffered a stroke and was forced to use all of his retirement savings to pay for his long-term care. His wife was left without the money she needed to pay even basic expenses.



◆ **Carol began to wonder, what if her family were facing the same dilemma?**

Sure, she and Tom prepared for retirement. They just didn't anticipate needing long-term care; in fact, they had no idea how much it would actually cost. What if their children had to sacrifice their own financial goals to help keep her in a nursing home?

◆ **Most importantly, what could she do about it now, while she is still able?**

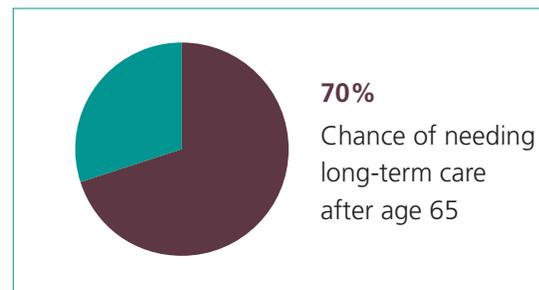
Why should you care about long-term care?

- ◆ **Like Tom and Carol**, most Americans still don't see the need to prepare for long-term care, though today the average retirement could span 30 years or more. While 69% of individuals still working have put aside something for retirement, only 17% were very confident they would have enough savings to cover the potential costs of long-term care.¹

When you consider the retirement outlook for the 21st century, it's simply not smart to take a wait and see approach. Preretirees and retirees must now consider:

- Longer life expectancies
- Less reliance on guaranteed sources of income, such as pensions or Social Security
- Increasing healthcare costs
- The long-term viability of government programs like Medicare/Medicaid

Add to that the fact that Americans have a greater than 70% chance of needing some form of long-term care after age 65,² and it becomes even more apparent that Carol's concerns are justified.



¹ Employee Benefit Research Institute, Retirement Confidence Survey, April 2005.

² "Americans Fail to Act on Long-Term Care Protection," The American Society on Aging, May 2003.



Long-term care can cost you a lot more than your independence

For years, we've been made aware of the urgent need to plan ahead for retirement. The same principle applies to long-term care. According to the Congressional Budget Office, here's roughly what you can expect to pay if you are no longer able to care for yourself. You should consider that the figures presented are estimates based on national average costs (in some geographic areas the costs are much higher). Also you should be aware that these expenses are not covered by medical insurance.

Long-term care	Annual cost	
Basic assisted living	\$21,600	The average annual cost for even basic assisted living—bringing an aide into your home just a few times a week to help with dressing, bathing, meals, and other household chores—is \$21,600. And that's with no additional care.
Nursing home	\$70,000	One year in a nursing home can average more than \$70,000 for a private room.
Full-time home care	\$155,520	For care that takes place in your home and provided by professionals around-the-clock, the average annual cost is \$155,520.

Source: Congressional Budget Office Testimony: "The Cost and Financing of Long-Term Care Services before the Subcommittee on Health Committee on Energy and Commerce," U.S. House of Representatives, April 27, 2005.

Defining long-term care

- ◆ Long-term care doesn't just apply to people in nursing homes, and it doesn't just apply to the elderly. Many people receiving long-term care are under the age of 65. Many different scenarios can be described as long term care:

Home care

Home care includes medical care — usually nurses who pay in-home visits if you can't go out, as well as help around the home. Home health aides or personal care service workers can visit daily to help you bathe and get dressed. They can also assist with housekeeping, meals, and shopping. How often these services are required depends on the individual's needs.

Adult daycare

Adult care programs offer social interaction and meals from one to five days a week, depending on the program. Some provide transportation to and from the care center. Some care programs offer medical services, such as help taking medications or checking blood pressure.

Assisted living

Assisted living is for those who need more help than senior housing offers, but want to remain as independent as possible. Staff can make sure residents take their medications on schedule, help them with bathing and dressing, and provide some medical care. Facilities also have on-site beauty shops and health services, such as a medical clinic.

Nursing home

Nursing homes offer 24-hour nursing care when you're recovering from an illness or an injury. They also offer end-of-life care. Nursing home services are mostly for people who need more medical care than other long-term care options can offer, such as wound care, rehabilitative therapy, and help with respirators or ventilators. Personal care for bathing, dressing, and going to the bathroom is also offered.

Consider the options for funding long-term care

Can you realistically pay for your retirement and still protect your assets in the event long-term care is needed? Consider your options:

- **Long-term care insurance**, obtained through your financial representative, which covers future medical expenses specifically related to long-term care. Premium amounts vary depending on daily benefits and benefit periods selected by the policyowner. (Long-term care insurance policies generally have exclusions, limitations, and reductions. Check your outline of coverage for more information.)
- **Medicare**, a medical reimbursement program administered through Social Security, which typically covers the first 100 days of skilled nursing home care for qualifying people over age 65. Medicare does not cover intermediate nursing care, prolonged home healthcare, or many in-home services.
- **Personal savings**, or the assets you've managed to set aside after the bills are paid. Includes liquid assets, such as CDs, mutual funds, individual stocks, and individual bonds.
- **Retirement income** from 401(k)s, 403(b)s, or pension plans.
- **Cash value life insurance**, which allows you to borrow against the cash value in the policy to cover large expenses.



- ◆ You should discuss the pros and cons of each option with your financial representative, who can provide more detailed information, including associated costs and fees as they pertain to each alternative.

Before you enjoy what's next... have you considered what if?

- ◆ **Let's revisit Tom and Carol's story.** Like many retirees, their successful careers and careful preparation had resulted in a considerable amount of accumulated assets. Nonetheless, their financial strategy didn't take into account what could happen if long-term care became a need for either of them.

After seeing the financial challenges her friend faced since the loss of her husband, Carol had a number of concerns:

- She wants protection against the financial risk of long-term care, and the ability to preserve the value of her estate.
- She wants to maintain control over her assets and have the option to change her mind if her circumstances change, plus receive a money back guarantee if she no longer needs coverage for any reason.
- If she doesn't need her money for long-term care, she wants to be able to pass it on to her loved ones.
- She wants to be tax-smart about long-term care benefits she uses or the death benefit that she passes on.
- She wants coverage for a broad range of long-term care needs, such as nursing homes, adult daycare, home care, and more.
- She wants the assurance of a strong, highly rated company.

After Tom and Carol, discussed these concerns in detail with their financial representative, he recommended that Carol consider moving some of her assets to a universal life insurance policy with long-term care benefits and a return of premium feature. This would help her address long-term care needs as well as help her keep the value of her estate intact. And it would offer her the control, guarantees, tax benefits, and options she's looking for to help her enjoy what comes next.



- ◆ Clearly, the need to prepare for long-term care keeps growing with every generation. Take action now. Talk with your financial representative about the various ways you can address “what if.” Then you can get on with the business of enjoying what’s next.





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