

# The Long and Short of Long-Term Care

People are living longer these days, so there's a greater chance you'll need long-term medical care in your golden years. To cover the cost, see if long-term-care insurance makes sense to you.



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A background image for the newsletter cover. It shows a hand holding a silver chess piece (a king) over a chessboard. In the background, there are stacks of US dollar bills. The entire image is in a light blue, semi-transparent style.

**INVESTMENT**  
**Strategy**  
NEWSLETTER

**Financial News** You Can Use  
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## FINANCIAL NEWS YOU CAN USE

### The Long and Short of Long-Term Care

Hollywood legend Bette Davis supposedly said, *“Old age is no place for sissies.”* Indeed, as we enter our golden years and our health declines, life gets tougher. The longer we live, the greater the likelihood that we will need long-term care.

After spending years building up your nest egg, just a few years of paying long-term-care expenses could threaten your retirement. Without provisions, the need for long-term care can also put an enormous emotional, physical and financial strain on family and friends.

More than 66% of individuals 65 and older will require some kind of long-term care.<sup>1</sup>



#### COSTS OF LONG-TERM CARE (LTC)

Long-term care can be extremely expensive, depending on the level of services you require and the duration of time that you need care.

**Nursing-home care:** One year in a nursing home can average more than \$50,000, and depending on the region could reach twice that amount.

**Assisted living:** The average monthly fee for an assisted living facility is about \$2,000, which includes rent and most additional fees. More specialized care could cost significantly more.

**Home care:** Hiring an aide to come in a few days a week, two-to-three hours each day, to help with self-care tasks like preparing meals, bathing and dressing, can run \$1,000 a month or more. If more skilled care is needed, the costs can be much higher.<sup>2</sup>

#### GOOD NEWS AND BAD NEWS

A November 2014 study published by Boston College's Center for Retirement Research concluded that nursing-home stays are shorter than previously thought: 10 months for a typical single man and 16 months for a woman, down from 1.3 years and two years, respectively. That's the good news. However, the study also found that the lifetime risk of needing nursing-home care is 44 percent for men 65 or older (previously it was 27 percent) and 58 percent for women (previously it was 44 percent).<sup>3</sup> This information further complicates the LTC insurance decision.

#### SHOULD YOU CONSIDER LTC INSURANCE?

Long-term-care insurance can offer protection against the risk of needing such expensive personal care. But the fact is, due to high premiums, this coverage may not be an appropriate solution for everyone. While there are no hard and fast rules, the Society of Actuaries suggests:

- If you have savings less than \$250,000, you may not want to buy private insurance. Should you require LTC but have limited resources, Medicaid may provide some coverage.
- If you have assets of over \$2 million, you may not need to purchase LTC coverage. Should you need long-term care, you may be able to self-insure and pay costs as they arise.<sup>4</sup>
- If you fall somewhere in between, consider designing a long-term-care policy with premiums that are affordable and make sense for you.

Changing some provisions of the coverage may help bring costs down.

#### WEIGH YOUR OPTIONS AND MAKE PLANS NOW

If you don't think LTC insurance is for you, but want a buffer against the potential cost of long-term care, another option is a hybrid product that combines life insurance or annuities with some long-term-care benefits. If you don't need the benefits while you're alive, the policies pay a death benefit to your beneficiaries.<sup>5</sup>

Whatever your situation, discuss these issues with your financial advisor and incorporate some long-term-care provisions into your financial plan. Old age may be no place for sissies, but you can meet it head-on with a strategy that makes sense for your circumstances.

Sources: 1) Leslie Scism, "Long-Term-Care Insurance: Is It Worth It?" The Wall Street Journal, May 1, 2015. 2) America's Health Insurance Plans, AHIP.com 3) Leora Freidberg, Wenliang Hou, Wei Sun and Anthony Webb, "Long-Term Care: How Big a Risk?" Center for Retirement Research at Boston College, November 2014. 4) Howard Gleckman, "Should You Buy Long-Term Care Insurance? Maybe Not" Forbes.com, January 18, 2012. 5) Joseph A. Tomlinson, "Is Long-Term Care Insurance Worth it?" Financial Planning Magazine, September 2011.

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