

Long-Term Care

Exploring Your Options

Have you ever thought about what would happen if you or a family member were no longer able to live independently? What if your elderly parents were no longer able to drive or perform basic activities of daily living, such as bathing or toileting? Would you or another family member be able to provide the care that your loved one might need? With longer life expectancies for both men and women, it is likely that you or someone close to you will eventually need some type of long term care (LTC). You can start the LTC planning process by considering the following common options for receiving and funding care:

Family. Sometimes parents assume their children will take care of them in their old age, and although adult children may want to do as much as they can, certain practical questions need to be asked: Will your children have the time and financial freedom to give you the care you need? Will they be knowledgeable about age-related medical concerns? As you plan, it is important to factor in your family, gender, medical history, and personal health risks to realistically assess whether your children will be able to take care of you.

Public Programs. Most people underestimate the cost of LTC and overestimate the funding that will be available through public programs and private health insurance. Currently, there is no government program specifically designed to cover LTC expenses. Medicare may cover some nursing home or assisted living costs, but only for “skilled care” that is deemed medically necessary for the duration of an illness, usually limited to 100 days following a three-day hospital stay. As a result, Medicaid has become the primary source of public funding for LTC. However, because Medicaid is a program designed to help those in financial need, families must “spend down” their personal assets before they qualify for public assistance.

Personal Assets. You may be able to use your personal assets, such as retirement savings or trust funds to meet LTC expenses that exceed Medicare and Medicaid. Real estate can be sold, if necessary; however, real estate is an illiquid asset, and forced sales may have negative consequences. Permanent life insurance offers cash values that may be borrowed against the policy, but tapping into a policy’s equity may reduce the policy’s death benefit, increase chances of the policy lapsing, and result in a tax liability if the policy is terminated before the death of the insured.

Insurance. Some types of insurance may offer protection. For example, disability income insurance may replace a portion of your income if you are unable to work due to an accident or illness, but this coverage is designed to be temporary, and is not available once you retire. Health insurance may pay for skilled care, but not chronic, custodial, or long term care. On the other hand, long term care insurance (LTCI), can help cover the expenses of home care, a nursing home or assisted living facility,

or adult day services. LTCI can help minimize the financial risk associated with extended care and ease the burden of uncertainty for your family.

Of course, it is difficult to face the possibility that you or someone you love may one day need LTC. But, planning today for an uncertain tomorrow may help preserve your family's assets, increase your care options, and most importantly, provide you and your loved ones with the confidence to face whatever the future holds.

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