



THE BIG IT

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Nobody likes to think about “it”. The topic is uncomfortable to talk about. Most underestimate the toll “it” will have. Few have plans to deal with “it”. But at some point “it” will touch nearly all of us. The big “it” is long-term care.

As America ages and as the number of our aging population continues to increase, so does the need for qualified and quality long-term care (LTC). The need for

comprehensive solutions to answer LTC remains an empty hole in many family plans. Yet with the potentially devastating costs-both financially and emotionally must be addressed. “It” (LTC) can be easily planned for if family members meet the need proactively and openly.

Let’s face it - we are going to live longer in retirement than our parents and grandparents ever dreamed. In 1900 the average life expectancy from birth was 47 years of age. In 2000 that average had lengthened to 77 years of age. A 65 year old female can expect to live to age 85, a male to 82. Statistically, for a couple age 65,

one of them has a 50% chance of living to 93. (Source: CDC) With the rapid development of medical procedures and improved understanding of diet and nutrition many experts are now beginning to question how long someone can actually live - 100, 110. Longer perhaps?

As our understanding of longevity improves our attitude towards issues of personal health and the need for care remains unchanged. Many opt for a blissful state of

denial when it comes to this subject. Some familiar quotes, we’ve all heard from loved ones concerning health issues of aging, “It won’t happen to me”, “I’ll drop dead long before I become sick enough for long-term care”, my personal favorite, “just ship me off to the home and forget about me.” In a 2006 survey of people over 65, 40% required care in a nursing home. Of those who needed care the average length of time was 3 years. The study also found that women are 60% more likely to enter a nursing home than men.

Overshadowing all health concerns of the elderly is the potential of Alzheimer’s disease.

According to the Alzheimer’s Association, 1 in 2 over age 80 already has the disease. Most that have it require 24 hour care either at home or in a care facility. But the most sobering fact about this horrible disease is that Alzheimer’s patients live an average of 8 years through the various stages. The financial, emotional and physical toll on a family of such an extended illness is difficult to quantify.

What are the options? Many erroneously believe there is a government program to pay for LTC costs. The fact is Medicare will pay a limited amount only after a hospital stay and only if the patient is improving. Medicare will not pay for any assistance with daily living. Medicaid, on the other hand, will cover some of those costs but only if you have depleted most of your assets. Medicaid will only pay for nursing home expenses. They do not offer anything for in home care. Medicaid leaves you with very little income, few assets and no choices. It is a choice of last resort.

Unfortunately most plan for funding their long-term care cost by the default method. They pay cash for it. This is a viable option if liquid assets are

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sufficient to cover the costs. The average annual cost of full-time nursing home care is \$60,000. An assisted living care facility runs \$35,000/yr and higher. It costs about \$25/hr. to pay someone to come to your home and assist in health care. These costs rise annually at about 6% - that's 2% higher than inflation. At that rate, LTC costs will double every 12 years. Are your assets sufficient to cover these expenses if one or both of you need care? A modest net worth could be wiped out in a few years, impoverishing the surviving spouse who may have many years of life left. Middle aged children could find themselves footing the bill to take care of aging parents and find their inheritances reduced to little or nothing.

Most children want to care for their parents and are happy to be able to help, but it takes a huge toll physically, emotionally and even financially. In 2007, 1/4 of all US households are already caring for a relative or friend, dedicating 8.4 billion hours to do so. Many family members who provide care report higher levels of stress and depression as a result. Many report delaying their own retirement because income that otherwise would have been saved for their nest egg is now being used to pay for care of a loved one. And the fact is most parents are more than a little uncomfortable having their children care for them,

especially when it comes to issues of bathing, incontinence, etc...

The cost of providing care is substantial, but can be defrayed with simple planning and education. The idea of making preparations years in advance for retirement are becoming commonplace and everyone understands the need for such planning. Planning for the possibility of poor health seems to bring our mortality into question. Something we humans try to avoid at every turn, yet are unable to run away from. LTC is a real issue with very real problems. The solution starts with proper education and continues with down to earth planning. Knowing that a problem could possibly exist and choosing to do nothing about it is as reckless as running across a busy street with your eyes closed.

Long-term care planning has come along way and something worth checking into. LTC insurance may not be for everyone and there are legitimate reasons for choosing not to participate. Typically, if you have more than \$200,000 in assets, you should take a hard look at LTC insurance. If your assets surpass the million dollar level, LTC insurance could be a way of insuring that more of your estate goes to your loved ones instead of towards medical bills.

A good LTC policy will provide a daily benefit ranging from \$50-\$200/day. You can get a policy to provide care for a specific number of months or an unlimited amount of time depending on your planning needs. Most policies provide for home health care. Because of this feature, a LTC policy could be thought of as "stay out of the nursing home as long as possible" insurance. These plans provide for rising health care costs, can pay family members who care for you, if elected a death benefit can be paid to your beneficiary if your policy is never used. The options are vast and need proper education in order to be taken full advantage of.

The cost of waiting to get coverage can be expensive. An unforeseen health issue a couple of years down the road could eliminate the possibility of getting coverage at all. Anyone age 50 and older should look into a long-term care plan. Premium costs go up significantly each year as they are based on your age and health.

With a combination of proactive education, asset management, family dialog, and LTC insurance you can go a long way toward providing the very best, most cost effective plan for your LTC needs. Nobody believes "it" will happen to them. But "it" happens all the time. A little planning and education can turn the big "it" into peace of mind for you and your loved ones.

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