

Financial Planning Matters

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Long-Term Care Issues

Last week, my cousin called and informed us that her 70-year old husband had been missing for two days. He has been showing signs of dementia, but no one in the family really wants to talk about it or deal with it. He left their home in Idaho and was found by the Colorado highway patrol near Pueblo, Colorado. His truck had run out of gas and he was found wandering along the highway. This family is in crisis and needs to sit down and make a plan.

Two issues make planning for long-term care difficult – planning for the cost of care for long-term illnesses and the emotional strain on adult children left to make difficult choices about their parents care. Many adult children are faced with making decisions for their parents without having any plans communicated, nor the monetary means to provide for their needs.

Planning for long-term elder care is a necessary part of retirement planning because it is likely that we will need some sort of specialized geriatric care in our final years.

Dealing with the emotional issues is simply a matter of having a family meeting where options are laid out and discussed. If there are multiple children in a family, only one person should be charged with making final decisions. Having multiple family members as powers of attorney can lead to disagreements and family break-ups.

Statistics from the U. S. Department of Health and Human Services:

1. Fifty-five percent of those who have attained age 85 are currently receiving some sort of care assistance. Seventy percent of those receiving care depend on family members and friends to be their caregiver. The other 30% are in nursing homes.
2. The average length of stay in a nursing home has increased from 18 months in 1999 to 30 months as of 2008. 47% of nursing home stays are for less than 1 year, 34% of nursing home stays are for 1 year or longer and 19% are for 5 years or more.
3. Women face a 50% greater likelihood of entering a nursing home. That's because they generally outlive their husbands by several years and there is no other caregiver living in the home.
4. Twenty-five percent of nursing home costs are fully paid with out-of-pocket funds. Fifteen percent of costs paid through a combination of long-term care insurance benefits and out-of-pocket funds. Ten percent is paid by long-term care insurance benefits exclusively.
5. Fifty percent of long-term care costs are paid by Medicaid after all income and assets are spent on nursing home expense.



Solutions are available; planning should start in your 50's.

There are three ways to pay for the costs of long-term care. 1) Self-insure; 2) Purchase long-term care insurance; or 3) depend on Medicaid.

For a person age 55, who wants to self-insure for an average stay of 2 ½ years in a nursing home, they can put \$59,000 into a nest egg today. A Simple Premium Deferred Annuity would be a great investment type for this fund. This would grow, at a 5% annual return, to approximately \$237,800 by the time they attain age 85. Saving \$286 per month in a nursing home fund would provide the same nest egg at age 85. This could be easily accomplished in a flexible premium tax-deferred annuity.

For the person age 55 who wants an insurance company to bare the financial risk, they can do so for much less than the self-insurer. Purchasing long-term care insurance on a healthy 55-year old would cost approximately \$155 per month

and this would insure a \$200 per day initial benefit with a 4% inflation rider and a 36-month maximum benefit.

The last option, depending on Medicaid to pay for your long-term care costs, should not be an option for middle income Americans. Medicaid subsidizes only a portion of the cost and limits your choice of care facilities. We should plan our retirement and long-term care needs based on our current means, and save accordingly.

Taking time to make long-term care choices when you are planning for retirement is extremely important. Your children will thank you. Call your Western Fraternal Life agent to get more information about your retirement planning objectives.