The Retirement Income Store® NEWS

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LONG-TERM CARE

An Essential Component of a Sound Retirement Plan

According to the American Council of Life Insurers, 70% of people over the age of 65 will need long-term care services.[1] While family members may be able to provide some of these services, paid care may be needed to supplement family-provided care as we age or in case we become disabled and cannot care for ourselves.

That's why having a plan that accounts for the possibility of needing long-term care is essential. Long-term care services can be provided at home, at a nursing home, in an assisted living facility, or an adult day care center. These services can include help with daily living tasks like eating, dressing, bathing, and performing household chores.

Why Should It Matter To You?

Quality long-term care can be expensive. For example, the average cost of a private room in a nursing home was $105,850 per year in 2020 and home care averaged $4,576 per month.[2] To make matters worse, the rate of inflation on things like healthcare can easily exceed the usual rate of inflation—which according to the Bureau of Labor and Statistics, has averaged 2.89% since 1925.[3]

For example, from 1996 to 2021, the cost for hospital services experienced an average yearly inflation rate of 5.25%. That means that the same hospital services which cost $500 in 1996 would cost $1,795 in 2021.[4]

A common mistake people make when planning for retirement is to use current prices for healthcare when they formulate their plan for handling these costs in the future. However, once you factor in the effects of inflation, it means that if you retire today in your 60s and live 30 years or longer in retirement, the cost of healthcare could double or even triple by the end of your retirement.

It's important to note that Medicare will pay for skilled care, nursing home care, or care in a rehabilitation facility for a <u>limited time</u> following a hospital stay but <u>will not</u> cover most long-term costs. Medicaid does provide long-term coverage but only to those with limited income and resources.

Usually, before a person can qualify for Medicaid, they must exhaust most of their personal financial resources. Additionally, most private health insurance plans do not cover long-term care.

Planning for these expenses is an essential component of a sound retirement plan that is often overlooked. The good news is that an advisor who is experienced in helping clients navigate the complexities of planning and saving for retirement can help identify insurance policies that can help you be prepared for the likelihood of needing long-term care.

1. Who Will Pay for Long-Term Care, American Council of Life Insurers, 2015
2. Cost of Care Survey, Genworth Financial, Inc., 2020
3. Based on BLS Consumer Price Index from 12/31/1925 to 12/31/2019
4. https://www.in2013dollars.com/Hospital-services/price-inflation#:~:text=Between%201996%20and%202021%3A%20Hospital,2021%20for%20an%20equivalent%20purchase

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Why Long-Term Care Can Be Especially Important For Women

Happy Belated Mother's Day to all the wonderful moms out there! It's no secret that mothers play a vital role in the family dynamic. Although mothers and women are often the ones who help keep everyone safe, happy, and healthy, all too often they end up facing their later years worrying about how they will pay for the cost of long-term care. That's why we want to take the time to explain why long-term care considerations can be especially important for women and their families.

1. Women as Caregivers:

Women are more likely than men to be caregivers to children, spouses, and aging family members. In fact, 75% of those providing family caregiving at home are female.[1] Providing long-term care for others can have a significant impact on women's finances since many will have to reduce their hours or leave the workforce altogether to care for family members or loved ones.

2. History of Longevity:

Currently, women who reach the age of 65 can expect to live another 21.5 years to the age of 86.5, about 2.5 years longer than the life expectancy for a man reaching 65. Moreover, one in three 65-year-olds today will live past age 90.[2]

3. Women are Unable to Afford Long-Term Care:

Since women tend to enjoy longer lifespans, it can create a situation where they enter their later years without a spouse or partner to care for them the way they've provided for others. Since many will have gone from two incomes to one, they might not have the financial resources to afford long term care. In 2018, the median income for women 65 years of age or older was $20,637—barely one-fifth of what it costs to live in a nursing home for one year.[3]

4.Women Need More Long-Term Care Than Men:

At the end of their lives, women can spend twice as many years in a disabled state as men do: 2.8 years if they live past 65 and three years if they live past 80.

The reasons listed above are a just a few examples of difficult situations that can be avoided by planning ahead and working with a financial advisor who is experienced in helping clients navigate the complexities of planning, saving, and living in retirement.

1. Long-Term Care for Women, American Council of Life Insurers, 2018
2. Institute for Aging Report, Albert Einstein College of Medicine, 2019
3. Long-Term Care for Women, American Council of Life Insurers, 2018

Understanding Long-Term Care

The Cost of Long-Term Care

The cost of long-term care can vary significantly, depending on where you live and what type of services are needed. According to Genworth, the average costs in 2020 were:[1]

- **Nursing Home:** $93,075 for a semi-private room and $105,850 for a private room annually
- **Assisted Living Facility:** $51,600 for a one-bedroom unit annually
- **Home Health Aide:** $24 per hour
- **Adult Day Care:** $19,240 annually

How to Pay for Long-Term Care

There are several ways to pay for the costs of long-term care:[2]

- **Through your long-term care insurance provider:** Refer to your plan for coverage details.
- **Out of your own pocket:** This option can be very expensive.
- **Using Medicare:** Medicare covers very little when it comes to long-term care. It pays for only limited home healthcare and nursing home costs, usually following a hospital stay.
- **Using Medicaid:** Medicaid only covers long-term care for low-income individuals without significant assets. As a result, many individuals impoverish themselves before they get assistance from the Medicaid program. When individuals do have Medicaid coverage, their benefits focus almost exclusively on institutional care, such as nursing home care.

Questions to Consider Before Purchasing a Long-Term Care Policy:

- Does the policy protect against inflation?
- Does the policy guarantee that premiums will remain level?
- Does it provide comprehensive benefits for both home care and nursing home care?
- Is the maximum benefit period one year or more?
- Is the policy renewal guaranteed?
- Is the deductible affordable and does the policy have a waiting period of 100 days or less?
- Will the policy cover dementia?
- What are the policy exclusions?
- What is the reputation of the insurance provider?
- Will you be able to keep up/afford the policy premiums?

1. Cost of Care Survey, Genworth Financial, Inc., 2020
2. Paying for Care, National Institute on Aging, 2017

DAVE'S CORNER

5 Keys to A More Comfortable Retirement

By David J. Scranton CLU, ChFC, CFP®, CFA®, MSFS, Founder of The Retirement Income Store®

For many, a more comfortable retirement means enjoying the peace of mind that comes from knowing you have the financial resources to cover your expenses and enjoy the activities that bring you happiness. So, how do you create a plan that helps you achieve it? Here are what I believe are five things that can boost your chances of success.

1. Holistic Planning: You need a plan that accounts for every aspect of your comfort during retirement, not just your financial health. If your job is the most fulfilling part of your life and you leave it without knowing how you'll fill that emotional void, it won't matter how much money you have or how it's invested. So, how do you go about planning holistically? That brings us to item #2.

2. Planning with Specific Goals in Mind: Your financial plan needs to be aligned with your retirement goals, and you can't do that until you identify your specific goals. A good first step is to identify when you plan to retire. Once you've done that, you'll be better able to identify your specific goals for how you plan to spend your time in retirement.

3. Planning to Minimize Stress: In terms of investing, we deal with stress quite a bit during our working years when we're typically invested for growth in the stock market, have little control over our investments, and don't know when the market will experience a downturn. That's why, as we near retirement, it makes sense to shift our focus to a more conservative approach designed to help preserve your savings so you can use it to generate a steady stream of interest and dividend payments.

4. Planning From 30,000 Feet: The horizon line for a pilot flying at 1,000 feet is 40 miles away. However, for a pilot flying at 30,000 feet, the horizon line is over 200 miles away. Figuratively speaking, many growth-based financial advisors fly at 1,000 feet and don't typically see more than 5-10 years into the future. Advisors who specialize in retirement income, however, are uniquely qualified to identify and address the issues relevant to your long-term financial horizon.

5. A Plan with Built-In Flexibility: Your situation, your goals, and your risk tolerance can change. That's why it's important to have a strategy your advisor can adapt, on your behalf, to help minimize risks and maximize opportunities in all market conditions. An advisor who specializes in investing for income can help you take advantage of active management strategies capable of providing greater preservation and maximizing your returns in the face of any challenges that may emerge.