



What is Long Term Care?

When most people think of long-term care, they think of nursing homes and assisted living facilities. But there are many different types of long-term care, and it's important to understand what each one entails.

In general, long term care is the type of care that you may require if you are unable to perform activities of daily living (ADLs). These activities include bathing, dressing, grooming, using the toilet, eating, and moving around—for example, getting out of bed and into a chair.

A long-term care insurance policy can help pay for the cost of care that is needed due to a chronic illness, disability, or injury. Primarily, long term care insurance is designed to cover the costs of custodial and personal care, as opposed to medical care alone. Coverage may include the cost of staying in a nursing home or assisted living facility, adult day care or in-home care.

So what does long term care insurance cover? When your policy has been activated you can use it to cover many types of expenses, including:

- ▶ Respite care
- ▶ Adult day care
- ▶ Assisted living facilities
- ▶ Resident care
- ▶ Alternative care
- ▶ Nursing home
- ▶ Memory care
- ▶ Short term hospice

Medicare does not cover long term care expenses.

Medicare covers only brief stays in skilled nursing homes, hospice care, or home health services if three requirements are met:

1. You were admitted to the hospital for three days or more
2. Within 30 days of that hospital stay, you were admitted to a Medicare certified skilled nursing facility
3. You require skilled nursing, physical therapy, or other therapy services as prescribed by your doctor

If all those conditions are met, Medicare will pay some of the costs for the first 100 days in a skilled nursing facility. After 100 days, you're responsible for 100% of those costs.

Why would you need it?

It can be difficult to imagine now, but chances are you'll require assistance with personal care at some point in your life. You may suffer from a disabling accident, chronic illness, or simply reach the age where you are no longer able to care for yourself.

As our population ages, the number of people suffering from cognitive illnesses such as dementia and Alzheimer's disease is increasing. Currently, 6.2 million Americans have Alzheimer's and that number is expected to grow to 13 million by 2050. The average life expectancy after an Alzheimer's diagnosis is 8-10 years, during which time a person will require long term care.

The risks of you needing long term care services are high, but how do they stack up against many other unexpected events?

- ▶ Fire damaging your home 1 out of 3,000 [.03%]
- ▶ Automobile accidents 1 out of 63 [1.6%]
- ▶ Being Called Down on The Price is Right 1 out of 36 [2.8%]
- ▶ 20-year-olds that will suffer short term disability before they retire 1 out of 4 [25%]
- ▶ Needing long term care assistance in your lifetime 1 out of 2 [50%]

However, it is important to remember that the need for long term care can happen to anyone, no matter how old they are or what their health is like. It is important to be prepared for the possibility that you may need long term care services at some point in your life.

Who needs long term care insurance?

Long term care is something that many Americans will require in the future, and long term care insurance may be the most effective way to protect your loved ones and yourself. In fact, 65-year-olds today have a 70% chance of needing long-term care, and an estimated 20% of Americans will need it for *longer than five years*. Yet only about 7.5 million Americans have long-term care insurance.

The average cost of long-term care in the United States is increasing, and it is important to have long-term care insurance to cover these costs. The median cost of just one month in a nursing home is \$7,908 according to Genworth's Cost of Care Survey. The estimated cost for care in the final five years of life is \$367,000 for people with dementia and \$234,000 for those without. The average American will pay \$172,000 for long-term care. Long-term care insurance is crucial to cover the costs that regular health insurance does not.

If you are looking for a way to offset the increasing costs of long term care as you age, long-term care insurance is the best solution. It can give you peace of mind and protect your savings, ensuring that you will be able to afford the care you need. Plus, your kids won't have to worry about footing the bill for your care. Long-term care insurance is an important investment that you should consider making for yourself and your family.

Anyone can benefit from having a long term care plan. People who need long term care insurance include:

- ▶ Spouses and domestic partners who want to maintain assets for surviving spouse
- ▶ People with a mortgage
- ▶ High net worth individuals
- ▶ Business owners who want the tax advantages of long term care insurance
- ▶ Those who don't want to rely on family for their care
- ▶ Those who want to protect their financial legacy

Who is affected?

Unfortunately, in many cases, long term care is provided at home by unpaid family members and friends. It can be a huge strain on them both physically and mentally. Unexpected long term care expenses can quickly deplete retirement assets. It is important to note that most long term care is not considered medical care, and therefore not covered by most medical insurance as well as government programs like Medicare.

Long term care needs affect friends and family, not just the individual requiring it. For example, you may depend on your children to care for you, but some recent studies show that the stress of caregiving can have a negative impact on the health of the caregiver. It also takes them away from their current responsibilities such as work, children, and spouses. All of this can be a burden on the entire family.

It's critical to understand the cost of long term care and the impact a long term care need can have on friends and family, not just the person receiving it.

How much long term care insurance do I need?

There is no universal solution when trying to determine how much long term care insurance you need. That is because everyone's situation is different, and the amount of long-term care insurance you require will be determined by a variety of factors. They include:

- ▶ Your age
- ▶ The cost of care in your local area or where you plan to receive care
- ▶ Your health background
- ▶ Your family's health background
- ▶ The extent of care you'd like to receive
- ▶ How long you want the policy to cover care
- ▶ Your budget and financial situation

To roughly estimate how much long term care insurance you may want to purchase, review the [Cost of Care](#) and factor in the impact of inflation and what type of care you would prefer for yourself. Will you plan to receive care at home, in a skilled facility, or assisted living community setting?

We recommend coverage that provides premiums you can pay over the long term. This coverage should provide benefits that are between the lowest cost of part-time home care in your area and the cost of round-the-clock care in a skilled facility. Remember that you want to consider what the cost of care may be at the time of claim – that could be 20-30 years down the road. Other impacts to the cost of care:

- ▶ Your health
- ▶ The city and state where you will receive care
- ▶ The type of care

Affordability and value are two of the most important components of securing your plan. Remember, you want to be able to pay the premiums over the long term for meaningful coverage.

How much does long term care insurance cost?

The cost of long-term care insurance can vary depending on several factors, including your age, gender, health and family health history. However, for many people the cost is affordable when one considers the insurance benefits. The cost also varies depending on where you live and what kind of policy you choose. The average monthly price for a pay-as-you-go traditional LTC insurance policy is around \$250 per month. However, in our opinion, the more important factors is the price compared to the maximum insurance benefits, how that compares to your goal for covering the cost of care, and what other extra benefits are provided by the insurance company.

No matter what you end up paying, long-term care insurance still gives you good bang for your buck since there's a good chance you'll need long-term care later in life.