

Long-Term Care Planning

*Why you should start
thinking about it now*



Long-term care is a broad term that encompasses a range of services and support for those who can no longer care for themselves due to age-related struggles. In general, once someone can no longer complete the six core Activities of Daily Living shown below,¹ it's usually time to consider some form of long-term care, whether that be home care, a facility, or increased medical intervention.

- 1. Ambulating**
- 2. Feeding**
- 3. Dressing**
- 4. Personal hygiene**
- 5. Continence**
- 6. Toileting**

Many people want to believe that they will be healthy all of their lives, that it “will never happen to them,” but the truth is that old age comes for all of us, and the best thing we can do to help ourselves is to be prepared. Here are the core factors you should consider when discussing your long-term care plan with your financial professional.



¹ Activities of Daily Living - StatPearls - NCBI Bookshelf www.ncbi.nlm.nih.gov/books/NBK470404/

70% of people turning 65 today are expected to need long-term care during retirement.²

From now until 2030, 10,000 Baby Boomers a day will reach age 65.³ Most of us want to believe that we will be able to work and live our lives as we please until the day we die, but the reality is that's not going to be the case for most of us. Sheer probability says you will likely need long-term care at some point in your life. Statistically speaking, men require care in a long-term care facility for an average of 2.2 years; women stay in long-term care facilities for an average of 3.7 years.⁴ Moreover, it's estimated that 20% of people turning 65 today can expect to spend 5 years or more in long-term care.⁵ When it comes to long-term care, it's less of a question about **if** as it is about **when** you will need it and for how long.

The expected cost of long-term care.

It's no secret that healthcare is expensive, but do you know just how much long-term care could cost you over time? According to Genworth, the annual price of a home healthcare aid in 2024 is \$77,769, whereas a private room in a nursing home facility in 2024 averages around \$120,304.⁶ No one can predict the future, so it's best to plan for it instead. As healthcare costs are projected to increase by 8% for year-on-year medical costs in 2025 for the group market and 7.5% for the individual market,⁷ and long-term care costs across facility types have increased between 1% and 10% over the past several years,⁸ retirees often turn their attention to Medicare.



Medicare will not cover the cost.

In 2024, 55 million people were covered under Medicare,⁹ but yet 61% of adults say that in the past 12 months, they postponed or neglected getting the healthcare services they needed because of the cost.¹⁰ Remember, Medicare doesn't cover any long-term care costs at all.¹¹ Long-term care is defined as "custodial care," meaning assistance with basic living tasks like bathing, eating, or other activities of daily living. When hearing this fact, many seniors and near-retirees shrug it off, assuming that they will never need long-term care or that their robust retirement savings will pay for the costs.

"Use it or lose it" policies are mostly obsolete.

We know what you're thinking now. *But wait, if I'm lucky enough to not need long-term care in my retirement, I've wasted money on long-term care insurance!* With some traditional long-term care policies, this is true. This loss aversion—the psychological tendency for humans to feel perceived loss more acutely than gains—still unsettles clients to the point that they often won't consider long-term care insurance, even though they are likely to need it.

Fortunately, products, consumer mindset, and the cadence of the financial planning sector have changed dramatically in recent decades. These days, asset-based insurance policies, also known as hybrid, linked-benefit, or combo long-term care insurance, help limit the risk of the "loss" that many clients have come to associate with long-term care. While not a replacement for traditional long-term care insurance, asset-based policies can include tax-deferred annuities or life insurance policies that help cover the costs of long-term care or multipliers to increase the total cash value available for a period of time for long-term care costs. The general concept is this: If you don't ultimately need long-term care, your beneficiaries still receive the available death benefit under the policy when you die. You have likely paid a portion of your annual policy premium towards the long-term care benefit, but the base policy's death benefit remains and can be passed onto your heirs.

² **Most retirees will need long-term care. These are the best ways to pay for it** www.cnbc.com/2021/08/26/most-retirees-will-need-long-term-care-these-are-ways-to-pay-for-it-.html

³ **3 Reasons to Not Retire** <https://www.forbes.com/sites/jannfreed/2024/06/03/3-reasons-not-to-retire/>

⁴ **10 Things You Should Know About Long-Term Care Insurance** www.kiplinger.com/retirement/long-term-care-insurance/things-you-should-know-about-long-term-care-insurance

⁶ **Cost of Long Term Care by State | Cost of Care Report | Genworth** www.genworth.com/aging-and-you/finances/cost-of-care.html

⁷ **Medical cost trend: Behind the numbers 2025: PwC** www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html#:~:text=PwC's%20Health%20Research%20Institute%20

⁸ **Genworth Releases Cost of Care Survey Results for 2023: Twenty Years of Tracking Long-Term Care Costs** investor.genworth.com/news-events/press-releases/detail/972/genworth-releases-cost-of-care-survey-results-for-2023

⁹ **Medicaid | Medicaid** www.cms.gov/medicare/covereddetermination-process/basics

¹⁰ **KFF—Americans' Challenges with Health Care Costs** www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/

¹¹ **Long-term care - Your Medicare Coverage** www.medicare.gov/coverage/long-term-care

Meet with a financial and insurance professional to learn about your options.

So what does all of this mean for you? You want your retirement to provide you a reprieve from the worries of the future, but that means that you probably need some careful preparation and strategy to get you there. Not all long-term care policies are created equal. A financial and insurance professional can help you create a strategy to help prepare you for what comes next. Schedule an appointment with our team to discuss how we can match your personal goals and future needs with your customized retirement income strategy.



CM-589433-1024

This document is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market or recommend any tax plan or arrangement. Individuals are encouraged to consult with a qualified professional before making any decisions about their personal situation. This content is not endorsed by the Social Security Administration, and our firm is not affiliated with the United States government or any other governmental agency.

We are an independent financial services firm that helps individuals create retirement strategies using a variety of insurance products to custom suit their needs and objectives.

This information should not be construed as personalized investment advice, nor should it be interpreted as an offer to buy or sell any securities mentioned. A financial and tax advisor should be consulted before implementing any of the strategies presented. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Insurance and annuity product guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company. Product and feature availability may vary by state. Long-term care insurance and/or riders may involve medical underwriting or other eligibility requirements. Riders may involve an added annual fee.