

Preparing For Long-Term Care: There Is a Need
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Most individuals envision themselves living a long life, investing and planning to create a financially secure retirement. As part of the financial planning process, it is crucial to understand the potential impact the lack of long-term care coverage can have on your assets, family, and quality of life. The longer people live, the higher the probability that they will need long-term care services. While it can take decades to accumulate assets to retire comfortably, a few years of paying for long-term care services can potentially threaten a family's life savings.

In the coming years, there will be a huge wave of baby boomers requiring long-term care. However, less than half of these individuals have taken steps to prepare.¹ One reason may be misperceptions about what long-term care insurance is and the benefits it provides.

Long-term care includes a wide range of medical and support services for people with a degenerative condition, illness, or cognitive disorder. And, it's not just older individuals who need long-term care. Younger people may need coverage as a result of an accident or life-threatening illness. Long-term care is not necessarily classified as medical care, but is often considered "custodial care." Custodial care involves assistance with activities of daily living, including bathing, eating, dressing, toileting, and transferring.² To qualify for long-term care insurance benefits in most insurance policies, an individual would need substantial assistance in two of the activities of daily living to start the benefits stated in the policy.³

Another common misconception is that Medicare will cover the costs of these support services. Unfortunately, Medicare covers a very small amount of long-term care expenses. There are specific guidelines and restrictions that govern the types of illnesses and injuries that are covered, and in many cases they are covered for very short periods of time.

Understanding the risk associated of living without long-term care coverage is the first step in incorporating this crucial component into a financial plan. Most significantly, long-term care insurance can reduce the burden that would otherwise fall on family members. Further, it enables policy holders to receive care in the setting that they prefer the most. It's important to address these issues sooner rather than later because long-term care premiums are primarily based on age and health. In short, the older you are when applying for long-term care insurance, the higher the costs. Also, the longer an individual waits the more at risk the applicant is to being denied for coverage. It was reported by the

¹ Morrissey, Janet. "Preparing For Long-Term Care: Any Good Options?" *Time Magazine* (2011).

² American Association for Long-Term Care Insurance, 2011 LTCi Sourcebook.

³ Genworth Financial, Inc, 2011. http://www.genworth.com/content/products/long_term_care/long_term_care.html.

American Association for Long-Term Care Insurance that 45% of applicants between the ages of 70-79 were declined coverage due to poor health.⁴

Here is a real life example. A woman I know lost her husband more than ten years ago. Soon after he passed away she was diagnosed with a degenerative eye condition. As her visibility decreased, she started having difficulty navigating through her home and her balance became unstable. She required assistance from others, but her children lived far away. She had no choice but to sell her home and move into a retirement community. The retirement community provided a more manageable space and offered assistance at any time, but not without a significant cost. She is constantly concerned if she has enough money for her retirement community expenses, as well as her medical bills, which include five various eye medications. Her hope is to leave assets for her children and grandchildren, but those hopes continue to diminish as she incurs these expenses. She pays more than \$60,000 annually to live in the retirement community, and this amount increases every year. If she had purchased long-term care insurance earlier in her life, the coverage would alleviate many of her costs and the concerns that take a toll on her mentally and financially.

We all envision ourselves living a long, healthy life. Unfortunately, most people require long-term care at some time in their lives. Long-term care insurance provides the security to live a financially sound retirement with the assurance that their investment portfolios are shielded against the overwhelming costs of long-term care. The next time you review your portfolio consider the risks that your assets are exposed to. If your financial plan lacks long-term care insurance, it may be time to obtain coverage.

⁴ American Association for Long-Term Care Insurance, 2011 LTCi Sourcebook.