

Many said to ignore long-term care planning

The Associated Press

Many Americans have a blind spot when it comes to retirement planning: long-term care costs.

Even though the majority of Americans will at some point need long-term care, few are planning for it. Many underestimate the costs and mistakenly believe health insurance can help cover it.

"This is not like being struck by lightning. It is something we will all face in our lives," said Bruce Chernof, president and CEO of the SCAN Foundation, which researches care for older adults. "If we don't need it ourselves, it is likely that our spouses, our significant other or our parents will."

The U.S. government estimates that 70 percent of people age 65 today will require some form of long-term care during their lives. Most of the time, that type of assistance is non-



AP / CARLOS OSORIO

Experts say an overlooked area in retirement saving for many Americans is long-term care. Many will need it, but few plan for it.

medical, including help with daily tasks such as bathing.

The costs of such care can easily outstrip retirement savings: A 65-year-old today can expect to incur \$138,000 in long-term care costs over their lifetime, according to a 2017 Bipartisan Policy Center report.

Here is some guidance on how you can get a jump-start on planning.

■ **Get a realistic picture of costs.** This is something people can do easily and early. AARP has a long-term care calculator that lets people find the average costs for different types of services by state and metropolitan region, based on research by Genworth Financial.

■ **Learn the truth about financing.** Many mistakenly believe Medicare or private health in-

surance will help pay for long-term care. Fifty-seven percent of Americans say they plan to rely on Medicare should they ever need ongoing living assistance, according to the AP-NORC poll. But Medicare does not cover extended nursing home stays or non skilled living assistance, which make up the majority of ongoing care needs for the elderly.

■ **What to know about long-term care insurance.** Only 11 percent of older Americans have private long-term care insurance, according to the Bipartisan Policy Council.

Premiums are too expensive for most people. Some estimates put average rates at up to \$2,400 annually. Rates have increased since long-term care insurance plans came on the market about 30 years ago, largely because insurance companies saw fewer voluntary lapses than expected and made other mistaken price assumptions.

Insured care's costly consequences

BY DEBBIE CARLSON
Chicago Tribune (TNS)

Health care costs are rising rapidly, and for older adults or people who need help with some daily activities, costs can easily run into the thousands of dollars.

A 2015 cost of care survey from insurance company Genworth Financial estimated the national median cost of care for a home health aide is \$45,760 annually, while the national median cost for a private nursing room home is \$91,250 annually.

With costs like that, some people are turning to long-term care insurance to cover these bills. People who are considering purchasing this insurance should know that it's costly and very complex and that not everyone will qualify. Here are some key points that potential buyers should keep in mind:

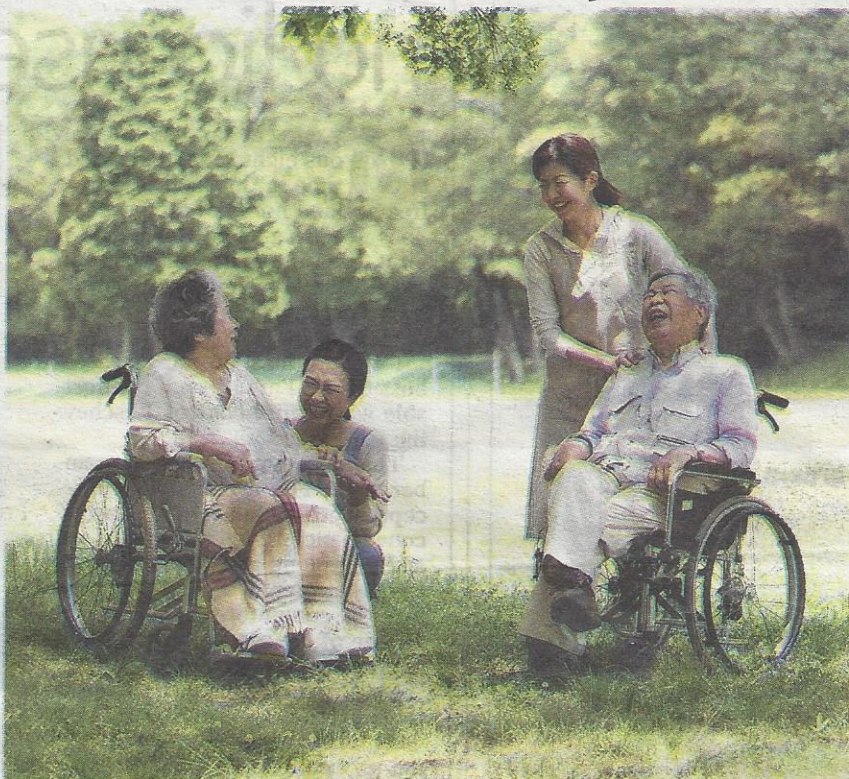
TALK TO PROFESSIONALS Financial planner Lacey Manning, founder of LTG Financial in Ocala, Florida, said people should speak to estate planners, elder law attorneys and accountants to see whether these policies make financial sense. These professionals can look at a person's assets and any other coverage he or she may have from Medicare, Medicaid and other state and federal programs designed to support the sick and elderly.

The reason many people opt for these policies is that they have some financial assets they want to bequeath rather than use that money to cover expenses in case of illness, said Martin Grace, the Harry Cochran professor of risk at Temple University.

For people without a lot of assets, these policies are too costly, said Mary Alice Hughes, insurance agent at Insurance Advantage & LMA Financial Services in Jacksonville, Arkansas. People who own a home and have more than \$250,000 in other assets can better afford these policies.

"If you only have \$200,000 in the bank, then you don't need long-term care insurance because . . . the premiums are going to eat into that money," Hughes said.

COSTS. These policies are not cheap, but they are less expensive for younger and healthier people. Grace and Hughes said the cheapest options are for people in their 40s without any significant illnesses. Policies are designed so that buyers purchase a set amount of benefit for a certain time frame. Most policies allow buyers access to a pool of money for three or four years.



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Long-term care insurance can help cover the expense of hiring a home health aide.

For example, a healthy person in her 40s may buy a policy with a \$7,000 monthly benefit for 48 months (four years), which gives her access to a total of \$336,000. This type of policy costs anywhere from \$200 to \$225 a month, or about \$2,500 a year, Hughes said. Buyers can add riders, such as inflation protection, so that their benefits grow by 4 percent to keep up with the cost of living.

The premiums can go up significantly as people age, Grace said, which is why someone buying a policy in their 40s will spend less than someone older.

"The premiums almost double from your 40s to your 50s to your 60s. It's really substantial," Grace said, adding that he recently bought a policy himself and went through this process.

Because premiums can rise, the buyer needs to think about whether he will have future assets to cover premium increases, Hughes said. Some policies have optional nonforfeiture riders that buyers can purchase that will protect what they paid for if they no longer can afford the premiums.

"They don't get the money back, but they just are assured they can use what they have paid," Hughes said.

These policies require medical underwriting, Grace and Hughes said, and having illnesses will in-

crease the cost.

"There are a lot of situations where . . . the agent won't even take an application. Cognitive impairment — dementia, Parkinson's, Alzheimer's — will definitely knock you out," Hughes said.

WHAT THEY COVER. Long-term care policies don't last forever. They last as long as the money purchased by the policy is available, usually three or four years. Once they end, people need to tap their other assets if they still need care.

The policies kick in when someone needs help with two or more daily activities, such as bathing or dressing, Hughes said, after a waiting period. They can be used for short-term events in which a doctor expects the person's care to last 90 days or more, or they can be used for when someone enters a permanent facility.

It's also important to look at how the benefits are structured, whether the buyer gets a daily maximum benefit or a monthly benefit, Manning said. Daily benefits cap how much the person can withdraw on a daily basis, while monthly benefits let the person tap funds as needed during the month to the monthly limit.

"If the daily benefit is only \$300 a day, that's different than a \$9,000 monthly benefit," even though the money is the same, she said.