

# Long-term care and retirement

## *Lifetime Retirement Planning with Wells Fargo Advisors*

As life expectancy moves upwards, so does the need for long-term care. It may surprise you to realize that approximately 70 percent of Americans now turning 65 will need some form of long-term care during retirement. Forty percent of those will require long-term care in a nursing home.<sup>1</sup>

With nursing-home costs now averaging more than \$79,000 a year, depending on where you live, the costs of long-term care can take a big bite out of your retirement income, or deplete the assets you may want to leave to your beneficiaries.<sup>2</sup> In fact, in many cases, mounting long-term care expenses can require your heirs to pay for your care.

### **Long-term care insurance**

You may never need long-term care, but if you do, having a long-term care insurance policy can help protect your retirement assets from being drastically depleted over a short period of time.

Many long-term care policies pay most of the costs of expensive assisted-living care, whether in nursing homes, hospices or adult day-care facilities, and some policies will pay for in-home care as well. Coverage generally starts when you are no longer able to perform certain defined activities of daily living for yourself, such as eating, bathing or dressing.

Long-term care insurance is not for everyone. To decide whether it's right for you, keep the following parameters in mind. If you have more than \$1 million in assets and anticipate a short stay in a facility due to your personal and family health history, you may wish to pay these costs out of pocket. You may also decide against long-term care insurance if you have less than \$50,000 in assets, as you may not need to divest yourself of much to qualify for Medicaid.

A long-term care policy makes the most sense for those with retirement assets of between \$100,000 and \$2 million. Also realize that most people need long-term care because of the effects of disease (such as Alzheimer's or a stroke), not old age. When considering purchasing a policy, look at your family's health history and ask yourself how likely it is that you may need long-term care.

Many American seniors do not have enough money saved to cover even one year of nursing home care. This despite the fact that long-term care costs are rarely covered by private health insurance policies, employer-provided retiree health insurance or Medicare. In addition, Medicaid only pays for the long-term needs of those who have exhausted almost all of their assets.

### **How much will it cost?**

Long-term care premiums can be hefty the older you are. A 65-year-old in good health can expect to pay between \$2,000 and \$3,000 a year for a policy.<sup>3</sup> By buying earlier, however, when you are in your 50s and in good health, you may be able to pay less per month.

The annual cost of long-term care insurance also depends on a number of other factors, including:

- **Duration of benefits:** This is the length of time the policy will pay for the care required. The shorter your benefit period, the less expensive the premiums should be. With the average nursing home stay being two and a half years, opting for a three-to-four-year benefit period rather than a lifetime benefit may be a consideration depending on your specific situation.<sup>4</sup>

Together we'll go far



- **Daily benefit:** This is the dollar amount the policy will pay for the care required. If the actual daily care expense is greater than the daily benefit amount paid by the policy, you would owe the difference. The amount you choose (typically from \$50 to \$350 per day) will depend on what sort of care you want, where you'll receive it and your ability to cover any excess costs.
- **Elimination period:** This is a waiting period before your policy begins paying benefits. It can range from 20 to 100 days, and you will have to pay out of pocket until it ends. The shorter your wait, the higher your premium.

Other issues that will affect the cost of your long-term care coverage are the range of care you choose, any pre-existing conditions and provisions made for guaranteed renewability of your policy. Before choosing any provider or policy, you should carefully review your options and the policy's terms and conditions.

### Talk to Wells Fargo Advisors

Understanding how your long-term care needs will affect your retirement is essential to putting together a retirement income plan that truly meets your needs. Few people approaching this exciting time in their lives have all the answers. That's why sitting down with your Financial Advisor can help you make more informed and realistic decisions about what lies ahead.

#### INVESTMENTS AND INSURANCE PRODUCTS:

NOT FDIC INSURED	NO BANK GUARANTEE	MAY LOSE VALUE
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<sup>1</sup> U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, 10/2008.

<sup>2</sup> MetLife Market Survey of Nursing Home and Assisted Living Costs, October 2009.

<sup>3</sup> U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, 6/2009.

<sup>4</sup> 2009 Long-Term Care Information Sheet, boyerjacks.com.

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