



Long Term Care

August 2024

“Life is pleasant. Death is peaceful. It’s the transition that’s troublesome.”

- Isaac Asimov

Last month we discussed the markets and how we thought things were getting a bit frothy (dare I say irrationally exuberant, to use Alan Greenspan’s words). Since we used a good bit of sarcasm (and wit, we hope), this month we want to discuss a serious topic using a more serious tone. Specifically, we want to address long-term care, and what I have witnessed over the last twenty-eight years of my career.

First, according to the National Institute on Aging, long-term care is a broad term used to describe a variety of services and support for those who can no longer care for themselves due to age-related impairments. This care can be provided at home or in a facility designed to care for those who can no longer complete Activities of Daily Living (ADLs) such as grooming, bathing, dressing, eating, and other tasks. The term long-term care (LTC) encompasses assisted living and nursing home care, as well as in-home care provided by a home health aide, family caregiver, or visiting nurse; adult day care centers also fall under the long-term care umbrella.

According to the Administration of Community Living (2020), seniors age 65 have a nearly 70% chance of requiring long-term care services in the future, and, on average, women stay in long-term care facilities longer than men (3.7 years versus 2.2 years for men). Typically, the services provided consist of 24-hour supervision and assistance, wellness programs, housekeeping, meals, medication management, transportation, and personal care services.

Over time, the cost of long-term care has increased substantially, such that at the end of 2021 a semi-private room in a nursing home facility cost on average \$7,908 per month whereas a private room in a nursing home facility averaged \$8,821 per month (Genworth, 2022). So, the question that is on everyone’s mind is, who pays for long-term care? My sarcastic answer is, who doesn’t?! But in reality, everyone needs to know that Medicare usually does *not* pay for long term care; this explains why in 2019 consumers spent \$63.4 billion out-of-pocket on long-term services (Congressional Research Service, 2021). Although Medicaid can help pay for long-term care, please remember that you have to essentially impoverish yourself to qualify for Medicaid.

So, those are the statistics that tend to give people pause, but here’s what I have seen in the last twenty-eight years of doing this job. I would hazard to guess that this scenario tends to play out more than 75% of the time: A husband and wife discuss long term care in their 60’s and most times do not buy long term care insurance (LTCi) for one reason or another; frequently it is because the husband says they don’t need to spend money on it. But years later – and again this is a very typical scenario from my experience –

the husband gets sick, the wife takes care of him until he goes into a long-term care facility for a few months. But then the wife is on her own, and in many cases lives much longer than she thought she would. And the longer she lives, the more likely she is to need a long term care facility at some point (by the way, I know people do not like the word “facility” here, but I am simply being practical in the way I write for this discussion). So, men, when talking about LTC, please let the women in your life have more input.

If you don't believe this is the way things typically work, where the woman needs long term care much more often than a man, then just go to any LTC facility, nursing home, or CCRC (continuing care retirement community) and look around – it's mostly all women. And if this is happening now, wait until more and more people start living even longer; life expectancy seems to be continually stretching longer and longer. For reference, who remembers Willard Scott on TV highlighting someone who turned 100 years old? Well, they stopped showing that segment on TV because so many people were turning age 100.

Now, please don't misunderstand, I am not trying to scare everyone into running out and buying a LTCi policy (full disclosure, we sell LTCi policies, but only when we feel it's appropriate and warranted). The reality is that a LTCi policy is not cheap, and many people do not need it for one reason or another: some people cannot or should not afford it, and others simply have enough assets and resources such that they do not need LTCi. And, oh by the way, it never hurts to be cynical and think that many times insurance is sold more often than it is bought. But with that being said, a LTCi policy can be very helpful as a supplemental tool to prepare for the very real contingency of a long term care need. *As always*, however, it depends on *your* overall circumstance and situation, which is different from everyone else!

As long as we're talking about the inevitable(s) in life, I also want to remind everyone to review and potentially update beneficiaries on your investment accounts, work-related employer plans (like a 401k), and insurance policies. No matter how much we remind people, over the years there have been some clients and non-clients who forgot to update beneficiary designations outside of our purview (such as a 401k plan). When this happens, it can cause pain for heirs and loved ones as well as subject assets to probate that might otherwise have avoided it (remember, if there is a beneficiary designation, then those assets usually do not get dispersed according to your will much less go through probate court).

We really hope this information helps. And if you have any questions regarding any of these topics, please just call or email us. Because as Isaac Asimov reminded us, it's the transition between life and death that's troublesome - but it doesn't have to be!

Thank you for your friendship, your trust, and your referrals – and have a great rest of your Summer!

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