



## Should You Consider Long-term Care Insurance?

As we get older, the odds increase that we will need long-term care services at some point. The costs are substantial, and could affect your retirement and estate plan. Long-term care insurance (LTCI) can defray those costs. But the policies can be expensive and some people choose to skip the premiums and invest their money instead, hoping they will earn enough to cover expenses. Which approach is right for you?

If you are over 50, you have a 57% chance of experiencing a long-term care event in your remaining years. The probability of needing care rises above 75% by the time you reach age 70. These costs are typically not covered by Medicare or supplemental health insurance. A long-term care event is defined as the inability to perform two or more activities of daily living – for example: bathing, dressing, eating, transferring positions, toileting or continence, or a cognitive impairment requiring supervision such as Alzheimer's disease. The leading causes of needing long term care are memory loss from Alzheimer's disease or dementia, followed by strokes, accidents and other illnesses.

A typical long-term care event lasts three years and can easily cost over \$100,000 per year. A home health aide or an assisted living facility generally cost less than \$100,000 per year, while a nursing home or 24-hour home care could cost more than \$150,000 per year. And those costs will rise in the years ahead.

### What does a Long-Term Care Event Cost?

Average LTC Event	
Average LTC Event	3 years at \$100,000 per year
Nursing Home	\$100,000 - \$150,000 per year
Assisted Living	\$60,000 - \$100,000 per year
Home Health Aide	\$35,000 - \$70,000 per year
24-hour Home Care	\$100,000 and up

Given that most people will eventually need long-term care, it's a relatively safe bet that a LTCI policy will return value, even though the premiums may seem daunting. You can typically lock in lower cost coverage by signing up earlier. The average age of a LTCI purchaser is 56. A typical premium today might run \$250 to \$500 a month for a person in their 50s, but the same coverage could cost \$400 to \$800 a month for someone starting in their 60s. Costs for a 70-year-old are often prohibitive. And insurers will not provide coverage after you have experienced a long-term care event or have certain health issues.

Age at Purchase	Estimated Premium	Probability of LTC Need
50 – 60	\$3,000 - \$6,000 annually	57% +
60 – 70	\$5,000 - \$9,000 annually	70% +
70 +	Prohibitive, often unavailable	75% +

## Should You Consider Long-term Care Insurance? (cont.)

At those prices, it may be tempting to invest the money you would otherwise spend on premiums, or simply pay for long-term care costs with savings. This is known as “self-insuring,” and for some high net worth individuals, it might be a good option.

But it's important to remember that LTCI is not an investment strategy, it's an insurance plan. By providing a guaranteed payout, typically adjusted for inflation, LTCI reduces risk and helps you plan more effectively for your later years. If you invest the money, can you be certain your return would equal the LTCI payout? What if you need long-term care before your investment has time to grow to the same size as the benefit? Would you need to sell securities or real estate at an unfavorable time, and would the sale complicate your estate planning or tax strategy?

LTCI can also reduce the impact on your family if you become ill by paying the cost of a care coordinator to manage everyday care provisions. Some other policy features to look for include:

**Benefit amount** – Be sure it's enough to cover costs in your area, since they vary across regions. Alternatively, you might decide to simply insure that portion of long-term care expenses you can't comfortably cover out of disposable income, which would lower the cost of the premium.

**Inflation adjustment** – Be sure to include a provision to automatically increase the benefit amount over time. Alternatively, you could simply select a higher benefit amount and forego the inflation protection provision.

**Years of coverage** – Consider how many years of care you want to buy coverage for.

**Shared care** – Couples can purchase joint policies that would provide coverage for either or both spouses.

Obtaining LTCI coverage typically requires a telephone interview to assess an applicant's memory, plus a review of their medical history for pre-existing conditions that could require long-term care. Remember that coverage is not available to patients who have had a stroke, Alzheimer's disease or certain other health issues.

One other wrinkle to note: LTCI coverage generally costs more for women than for men. That's because women file two-thirds of all LTCI claims, largely because they live longer than men. Many women also provide care for older husbands, reducing claims from men.

Long-term care insurance can be a valuable component of your estate and retirement planning. Your Paracle advisor would be happy to discuss LTCI and connect you with a LTCI specialist to evaluate further. We'd like to thank Dave Johnson, Vice President at [Lehmann Wood Johnson](#), Inc. who helped contribute to this article.

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