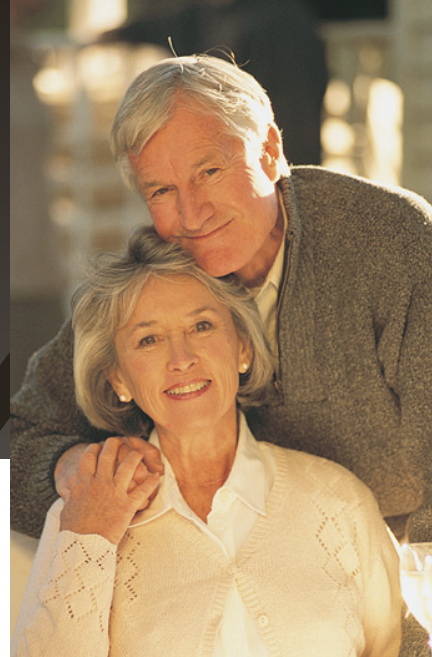


The Basics of LTC Planning

The Role of Long-Term Care Insurance in a Financial Plan



What Does Long-Term Care Insurance Pay For?

When an individual becomes physically or cognitively frail and is no longer able to care for him or herself safely without assistance, home care services, assisted living, memory care, or nursing home care may become necessary. Long-Term Care Insurance is designed to fund these care-giving needs. These can arise at any age, but they are most common when compounded by frailty accompanying the natural aging process. Typically, the longer an individual's life span, the more significant this compounding effect can be.

The Familial and Financial Toll of a Long-Term Care Event

Family members may over-estimate their own ability to care for a loved one during a long-term care event. When caring for a loved one, emotional and physical exhaustion can be significant. Family members commonly give of themselves until they experience burn-out or until their own health is impacted. At this point, when outside care-giving help is needed, the cost of hiring these services can begin to drain financial resources. These assets are no longer available to produce the income needed to support a surviving spouse or partner.

How Likely is it that I Will Need Care?

Statistics reveal that 70% of people who reach age 65 will require long-term care services at some point in their lives.¹ While the duration of this care may only be weeks for some, others will require long-term care for several years or longer. In fact, 1 in 4 of these individuals will need care for more than a year and 1 in 11 will need more than 5 years of care.² For most individuals, the question is not whether care will be needed but for how long.

How Long Do Most People Need Care?

Early statistical studies estimated the average length of care events to be between 2.5 and 2.9 years.² However, the duration of these care events continues to grow. The longer we live the greater the odds of frailty and the compounding effects it has on other health complications. Also, with the expansion of home care and assisted living, we are accessing care services at earlier stages. **Current studies estimate that long-term care events lasting longer than one year will last 3.8 years on average.**³ In addition, the longer a person's life span, the more likely he or she will encounter cognitive frailty. **According to the Alzheimer's Association, the average duration of care for an Alzheimer's patient is 8 years.**⁴

What is the Cost of Funding Long-Term Care Services?

Much of the cost of care services depends on the length of a care-giving need, the potential progression to more intensive levels of care, and the location where the care is delivered. In the past most consumers have thought of nursing home care as the biggest financial risk. Currently, these costs can exceed \$90,000 or more per year depending on the area. However, it is home care that dominates 79.9% of long-term care services.³ Home care costs can range in significance as the number of required hours of service varies, with 24-hour home care being more costly than nursing homes.

¹ U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2008.

² Kemper, P., & Murtaugh, C.M. (1991). "Lifetime use of nursing home care." The New England Journal of Medicine: 324(9):595-600

³ Genworth cost of care study, 2003

⁴ Facts from TheAlzheimer's Association, LTC News & Comment, 2/1997