

# Examining long-term care solutions

As you make plans for the future, it's important to recognize the possibility you may need long-term care. Including this cost in your budget is a major financial consideration, as most health insurance policies don't typically cover these expenses.

You can prepare for the potential cost of long-term care in two ways: by incorporating these costs into your budget and "self-insuring," or by transferring all or a portion of the risk to an insurance company. Knowing the benefits and trade-offs of the different types of long-term care solutions can help you determine the right choice for you and your family.

## 1 Incorporate long-term care into your budget (self-insuring)

Paying for long-term care costs out of pocket provides you the most flexibility in choosing care providers. However, it could jeopardize your financial goals and may be costly, especially depending on how you receive your care. The median annual rate for home health aide services is over \$46,332, but the median annual cost for a private nursing home room is \$92,376.\* With the average nursing home stay lasting more than 2.5 years, you would need to budget more than \$230,940 in today's dollars for nursing home care. That also wouldn't include the potential effects of inflation.

## 2 Insure for long-term care

Should you want to use an insurance company, you can choose either traditional long-term care insurance or life insurance with long-term care benefits.

**Traditional Long-term Care Insurance** - With traditional long-term care insurance, you pay premiums to an insurance company in exchange for coverage of long-term care services, if needed. Policies and costs can vary dramatically based on a variety of factors, such as your age, health, type and location of care, the amount of coverage, and if there is long-term care cost-inflation protection.

### ▶ Potential benefits

**Insuring your retirement assets/income** - Helps ensure your assets and income won't be depleted by a potential long-term care need.

**Flexibility and control over care** - Depending on your plan of care, you can choose who provides care, and where and how your care is administered.

**Increase for inflation** - For an added cost, coverage amounts can increase annually to help hedge against inflation.

**Possible shared benefits** - Two individuals can share benefits.

### ▶ Trade-offs

**Potential for increased premiums** - Premiums are not fixed or guaranteed.

**Lack of benefit if no care is needed** - Must pay premiums even if you don't end up needing long-term care.

**Life Insurance with Traditional Long-term Care Benefits** – In contrast to traditional long-term care insurance, many newer life insurance policies with options will allow you to use the death benefit instead to pay for long-term care, should you need it.

### ▶ **Potential benefits**

**Value even if you don't need long-term care** –

If no care is needed, a life insurance death benefit is provided.

**Flexible premium options** – Premiums can be paid annually for life, over a fixed number of years, or with a lump sum.

**Guaranteed premiums** – Premiums for hybrid life/long-term care policies are typically fixed or guaranteed.

**Similar potential benefits to long-term care insurance** – Policies can help insure assets, provide flexibility over care and may provide an option to increase for inflation.

### ▶ **Trade-offs**

**Lower amount of coverage relative to traditional options relative to total premium paid** – The long-term care coverage is generally less than traditional long-term care insurance. Your death benefit would also typically be lower for these policies than if you bought a traditional life insurance policy with the same dollar amount.

**Additional costs** – There are additional costs associated with adding a long-term care insurance rider to a life insurance policy.

### ▶ **What is your primary need?**

If you're considering life insurance with long-term care benefits, you'll want to decide what your main need is: long-term care insurance or life insurance?

**Hybrid life/long-term care insurance**

- Can provide long-term care coverage in excess of your life insurance death benefit
- Consider when primary need is long-term care insurance

**Life insurance with long-term care insurance**

- Can provide long-term care coverage, but the coverage is typically limited to the amount of your life insurance death benefit
- Consider when primary need is life insurance, but you also desire some protection against a long-term care need

**These can be complex decisions to make in the days ahead, but I'm ready to work with you to help protect your family and what you've built throughout the years.**

\*Genworth 2016 Cost of Care Survey, conducted by CareScout®, April 2016. Based on national median annual cost for a Private Room in a Nursing Home. Home Health Aide Services assumes \$20/hour, 44 hours/week, 52 weeks/year. CareScout is a Genworth company.

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