

# Long-Term Care: Plan for It Before You Need It

The idea of being unable to live independently is challenging whether you're thinking about yourself or your loved ones. However, by having necessary conversations now, you may be able to lessen the emotional and financial burden that often comes with a decline in health.

This isn't an implausible outcome: 70% of adults who reach 65 years of age will eventually need long-term care.<sup>1</sup> The sooner you develop a long-term care plan, the better off you'll be.



## What Is Long-Term Care?

The type of long-term care needed can vary substantially based on the health of the individual involved. In some cases, it can be as simple as having a home health aide visit several hours daily to assist with bathing and meal prep. In other instances, it can mean taking up residence in a skilled nursing facility.

From an insurance perspective, an individual qualifies for long-term care benefits once they are unable to do two of six "Activities of Daily Living" or ADLs. These are: bathing, caring for incontinence, dressing, eating, getting on and off the toilet, and getting in and out of a bed or chair.

The cost of the care varies substantially based on needs, though it can be expensive. In the first example above, a home health aide, on average, costs \$27 an hour, while residence in a skilled nursing facility, on average, costs \$108,405 a year.<sup>2</sup> This level of expense is why many people consider long term care insurance options—and why it behooves you to start planning now.

## Planning is Crucial

Don't leave your loved ones scrambling for solutions; enter your retirement years with a long-term care plan. By having a financial and strategic plan, you reduce stress for your loved ones, should you need care, and you make it much more likely everyone's finances stay intact.

Additionally, knowing who does what will help immensely. For example, if you have a spouse, will they be responsible for your care? What if they also need care? If you both need to live in assisted living, who will make that decision and what funds will be designated to pay for it?

If you have in mind a child or other relative, whom you think can help make arrangements should your health decline, don't assume. Talk with them and include them in your plans. While the conversations may be difficult now, they will greatly reduce the emotional toll on your loved ones later—and if they're not interested or able to help, it's best to know now.

# How to Pay for Long-Term Care

One key: Medicare is not an option. It does not cover long-term care costs. This lack of coverage is another reason why a real financial plan is needed. There are several ways people prepare for the financial aspect of long-term care. If you choose to use insurance as part of your plan, it's crucial that you research the insurance company. Are they solvent? Will they be around to pay out benefits when you need them? Here are 5 potential solutions to cover costs.

## 1 Traditional Long-Term Care Insurance

This type of insurance is becoming less available and more expensive due to skyrocketing healthcare costs. Many major insurers no longer offer it. Traditionally, you could choose a plan in your 40s, 50s, or even 60s, and pay annually and be guaranteed a set level of coverage, should you need long-term care. While you may still be able to find this option, be careful. Many insurance companies now reserve the right to raise premiums as the cost of care goes up, making its affordability less certain.

## 2 Combination Insurance Coverage

This option is becoming popular and is abundantly available. It's a combination of whole or universal life insurance and long-term care insurance. It works like this: should you need long-term care, the funds for it are drawn down from your life insurance benefit. If you draw down your entire life insurance benefit, your insurer continues to fund your long-term care. Some plans even guarantee a certain amount of life insurance benefit, regardless of the amount of long-term care you need.

## 3 Your Own Savings

Also known as a self-funded option, this means you're prepared to pay for long-term care yourself. While this can be a successful option, many people aren't quite prepared for just how much money they need to have saved. Could you cover 10 years of long-term care? Another potential downfall: self-funding doesn't preserve your wealth. If you had in mind leaving a certain level of inheritance to your loved ones, you may want to include a strategy to ensure that.

## 4 Medicaid, or Another Government Program

Medicaid is means tested, as are many state-run programs. This likely would be a last resort option in a situation where you've already drawn down all the rest of your funds. One exception to this may be if you're a veteran. If this is the case, check to see what options are available to you.

## 5 Other Solutions

Every financial situation is unique. Perhaps you plan to sell a vacation home, should you need long-term care. Or, maybe one of your children is extremely wealthy—and has committed to helping, should you need it. Or, maybe you want to buy an annuity that you believe would cover the cost of care. It always pays to talk with your financial advisor and explore all of your options.

# How to Get Started

You have two goals with long-term care planning: to ensure your ability to afford a standard of care that meets your expectations, and to preserve your wealth so that it can be left to the next generation. A financial advisor from Old National Wealth Advisors can help you develop a plan that fits your finances and that allows you to pursue these goals. As with much financial planning, the sooner you get started, the more likely you are to find success. Set up a conversation today!

<sup>1</sup> Department of Health and Human Services Long-Term Care Information as of February 2020, [How Much Care Will You Need](#). Website accessed on 9/14/2023.  
<sup>2</sup> Genworth, [Cost of Care Survey](#). Website accessed on 9/14/2023.

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