

YOU ARE LOOKING FORWARD TO **RETIREMENT** ...  
... BUT WHAT IF YOU  
NEED **LONG-TERM CARE?**



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## **WHAT IS LONG-TERM CARE?**

Do you think you will need it?

If so, how long do you think you will need it?

How much do you think it will cost you?

How will you pay for it?

**THIS BROCHURE MAY BE ABLE  
TO HELP ANSWER SOME OF  
YOUR QUESTIONS.**

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# KNOW YOUR



73,000,000

Estimated number of U.S. baby boomers<sup>1</sup>

7 in 10

The percentage of Americans age 65 or older who will need some type of long-term care<sup>2</sup>

\$102,200

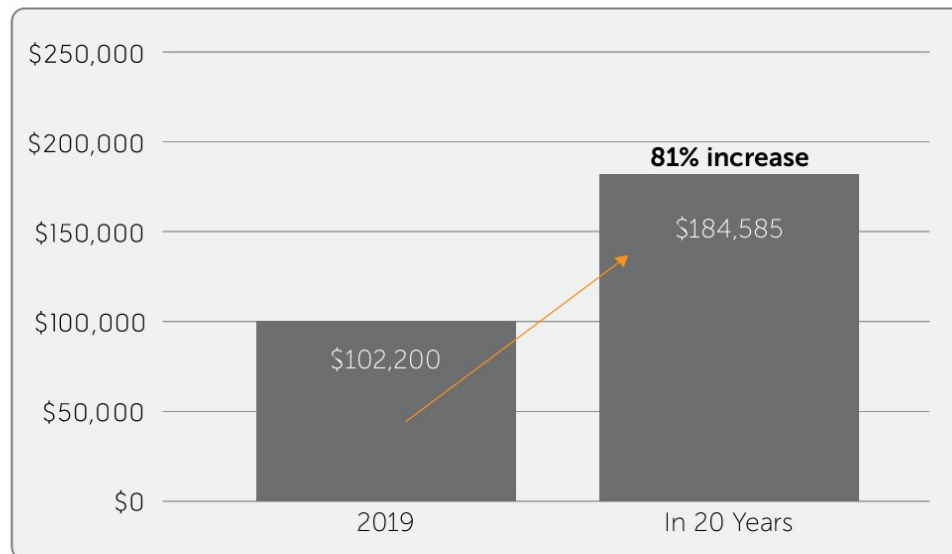
Median U.S. annual private-room nursing home cost in 2019<sup>3</sup>

\$184,585

Projected median U.S. annual private-room nursing home cost in 20 years<sup>4</sup>

# RISKS

## THE RISING COSTS OF LONG-TERM CARE



### Genworth 2019 Cost of Care Survey<sup>5</sup>

<sup>1</sup> Census.gov. Dec. 10, 2019. "By 2030, All Baby Boomers Will Be Age 65 or Older." <https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html>. Accessed March 5, 2020.

<sup>2</sup> Richard W. Johnson. Office of the Assistant Secretary for Planning and Evaluation. April 4, 2019. "What Is the Lifetime Risk of Needing and Receiving Long-Term Services and Supports?" <https://aspe.hhs.gov/basic-report/what-lifetime-risk-needing-and-receiving-long-term-services-and-supports>. Accessed March 5, 2020.

<sup>3</sup> Genworth. "Cost of Care Survey 2019." <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>. Accessed March 5, 2020.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.



# LONG-TERM CARE IS MORE THAN A NURSING HOME

Long-term care (LTC) encompasses a variety of services that include the need for both medical and non-medical assistance. Typically, long-term care is associated with any personal or medical assistance an individual may need to accomplish the Activities of Daily Living (ADLs), or if cognitive limitations/ impairments are present. ADLs include bathing, dressing, continence, eating, toileting and transferring/moving oneself from seated to standing and getting in and out of bed. Long-term care comes in many different forms to accommodate different levels of needed assistance.

While a nursing home is often what comes to mind when you think of long-term care, a majority of services are provided at home, in adult day health care facilities or in assisted living facilities.

According to the 2019 Genworth Cost of Care Survey, the median annual cost for these services are:<sup>6</sup>



<sup>6</sup> Genworth. "Cost of Care Survey 2019." <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>. Accessed March 5, 2020.

# CONSIDER YOUR OPTIONS

Can you realistically protect your retirement assets and income if you were to suffer long-term care costs? Prior to making a decision, it is important to weigh the pros and cons regarding some common ways of paying for long-term care. Your own circumstances should be considered before choosing one or more options. Discussing your options with a licensed insurance agent and other qualified individuals like a tax advisor or attorney is recommended. Together, they can provide more detailed information, including potential costs and fees associated with each option.





**Self-Insuring:** A method of managing risk by setting aside a pool of money to be used if an unexpected long-term care need arises.

- Pros:**
- Maintain control of your assets.
  - No restrictions on how to use your money. Freedom to choose any type of care you wish.

- Cons:**
- If long-term care costs escalate and retirement assets shrink, you may risk depleting your retirement savings.
  - Your freedom to choose your care may become limited as retirement savings are reduced.

**Things to consider:**

- Income versus net worth – Although it may seem logical to consider net worth, income may be a more accurate indicator as liquid assets would be needed to pay for long-term care expenses and liquidating assets could be expensive and cumbersome.
- How a health event could impact current lifestyle, income and current obligations.

**Medicare:** A federal health insurance program for people who are 65 or older, certain younger people with disabilities and people with end-stage renal disease.

- Pros:**
- May pay up to 100 days of medically necessary care in a skilled nursing facility per benefit period and the first 20 days are paid at 100%; however, a qualifying hospitalization must occur to activate this benefit.<sup>7</sup>

- Cons:**
- Day 21-100 require a co-payment.<sup>8</sup>
  - Medicare does not provide coverage for long-term care (also called custodial care) with respect to any of the activities of daily living.
  - Benefits do not include care or assistance that can help you remain in your home.

**Things to consider:**

- Once Medicare stops paying, any Medicare supplemental insurance policy will also stop paying.
- Medicare pays for acute care but not for long-term residency.

**Medicaid:** A jointly funded, federal-state health insurance program that provides coverage for low-income adults, children, pregnant women, elderly adults and people with disabilities who are eligible to receive federally assisted income maintenance payments.

- Pros:**
- For those with low income and limited resources, Medicaid may pay some long-term care services at home or in the community.

- Cons:**
- Medicaid sets limitations on the amount of assets you may own and the amount of income you may receive each month for you to be eligible to receive benefits.
  - Being dependent on Medicaid will limit your choices of care and facilities.

**Things to consider:**

- Eligibility of coverage varies from state to state.

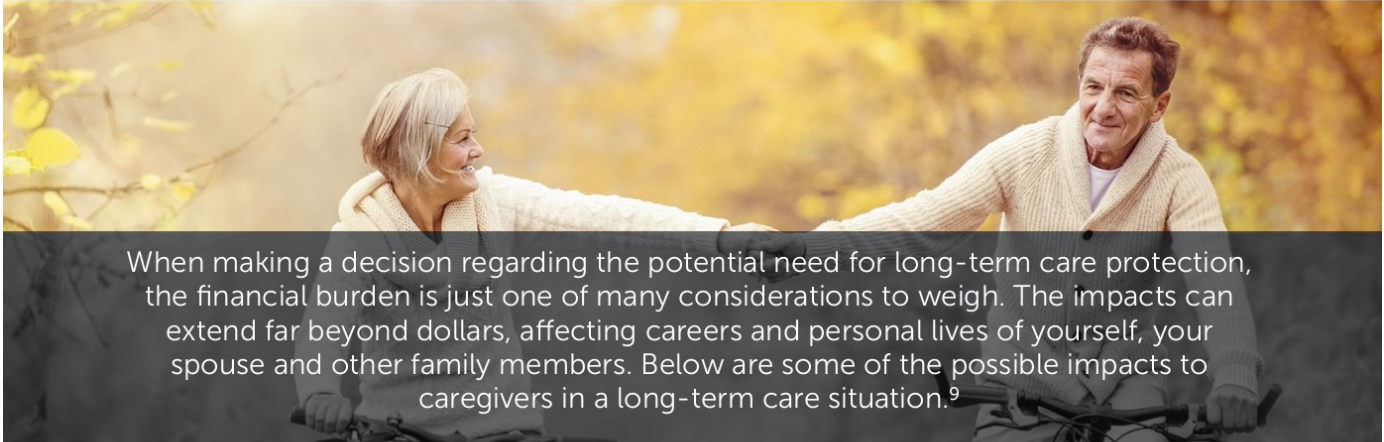
For more information regarding Medicare and Medicaid, please visit [www.Medicare.gov](http://www.Medicare.gov) or [www.Medicaid.gov](http://www.Medicaid.gov).

<sup>7</sup> Medicare.gov. "Skilled nursing facility (SNF) care." <https://www.medicare.gov/coverage/skilled-nursing-facility-snf-care>. Accessed March 5, 2020.

<sup>8</sup> Ibid.

*Our firm is not affiliated with the U.S. government or any governmental agency.*

# THE TRUE IMPACT OF LONG-TERM CARE



When making a decision regarding the potential need for long-term care protection, the financial burden is just one of many considerations to weigh. The impacts can extend far beyond dollars, affecting careers and personal lives of yourself, your spouse and other family members. Below are some of the possible impacts to caregivers in a long-term care situation.<sup>9</sup>

## Impact on Careers

**62%** of caregivers lost income as a result of caregiving. These caregivers estimate losing one-third of their income on average.

**70%** of caregivers missed time from work.

## Impact on Quality of Life

**46%** said that providing care impacted their personal health and well-being.

**41%** of caregivers experienced negative physical side effects such as depression.

**53%** of caregivers reported feeling a high level of stress.

**48%** of caregivers report a reduction in their quality of living in order to pay for care.

## Financial Impact

**63%** of caregivers used their own savings and retirement funds to provide out-of-pocket financial assistance.

**9%** of caregivers lost their jobs due to providing care.

<sup>9</sup> Genworth. Nov. 5, 2018. "Beyond Dollars 2018." [https://mma.prnewswire.com/media/784202/Genworth\\_Beyond\\_Dollars\\_Study\\_2018\\_Executive\\_Summary.pdf?p=pdf](https://mma.prnewswire.com/media/784202/Genworth_Beyond_Dollars_Study_2018_Executive_Summary.pdf?p=pdf). Accessed March 5, 2020.

In addition to self-insuring and government-sponsored programs, there are several other avenues to consider when reviewing potential long-term care needs.

**Traditional Long-Term Care Insurance:** Long-term care insurance is a comprehensive insurance product that helps pay for the cost of long-term care. Long-term care insurance policies reimburse policyholders a daily amount (up to a pre-selected limit) for services to assist them with activities of daily living (ADLs). Long-term care insurance is designed to cover long-term services, including personal and custodial care, in a variety of settings such as your home, a community organization or other facility.

**Pros:**

- Helps you to maintain your independence should an LTC need arise.
- Allows you to afford quality care.
- Reduces financial and emotional stress that a long-term care need may cause.
- May qualify for Long-Term Care Partnership Program to help protect assets that would need to be spent down prior to qualifying for Medicaid coverage once LTC benefits are exhausted. (See the Glossary of Terms to learn more about the program.)
- Traditional LTC premiums are considered a medical expense. For an individual who itemizes tax deductions, medical expenses may be deductible.

**Cons:**

- Substantial premium costs.
- No premium guarantees — costs could rise in the future.

**Things to consider:**

- There are fewer options to choose from as insurance carriers continue to withdraw from the LTC marketplace.<sup>10</sup>
- "Use it or lose it." Similar to home and auto insurance — if you do not have an LTC claim, you will not receive any of your money back. In addition, this product does not provide a death benefit.
- Prior to issuing a policy, health underwriting will be required.

**Asset-Based Long-Term Care Insurance:** This type of insurance product combines a life insurance contract with a long-term care policy providing benefits for a long-term care need, and if not needed, then a death benefit will be paid out upon the insured's death.

**Pros:**

- Provides protection should a long-term care need arise.
- Provides a tax-free death benefit\* to your beneficiary when you die if the policy has not been used/exhausted for long-term care expenses.
- Premiums are usually guaranteed so there will not be rate increases in the future.

**Cons:**

- Does not qualify for Partnership Program.

**Things to consider:**

- Asset plans must account for both a death benefit and the potential for long-term care benefits. The price structure will reflect this.
- Prior to issuing a policy, simplified health underwriting will be required.

\* If properly structured, proceeds from a life insurance policy are generally income tax-free to the beneficiary.

<sup>10</sup> Barbara Marquand. NerdWallet. May 28, 2019. "Long-Term Care Insurance Explained." <https://www.nerdwallet.com/blog/insurance/long-term-care-insurance/>. Accessed March 5, 2020.

Life insurance is a financial product purchased first and foremost for the death benefit, but it may also offer riders and benefits that can assist with the cost of long-term care should the need arise. Life insurance policies are subject to medical underwriting, and in some cases, financial underwriting. Riders and/or life insurance products may not be available in all states.

**Long-Term Care Riders:** A rider that can be added to a life insurance policy to provide coverage for long-term care expenses that may arise.

- Pros:**
- More comprehensive coverage than a chronic illness rider.
  - Premiums will not increase and benefits will not change.
  - In addition to LTC protection, this policy provides a death benefit to your beneficiaries when you die if you do not use the LTC benefit.

- Cons:**
- Unlike traditional LTC insurance, premiums are not tax deductible.
  - Long-term care riders do not qualify for Partnership Program policy protection.
  - There are usually additional premium requirements with the purchase of this additional rider.

**Things to consider:**

- LTC riders can pay out using either indemnity or reimbursement. Make sure you understand the difference. (Check out the Glossary of Terms for further clarification.)
- Separate underwriting occurs, so it is possible to qualify for the life insurance policy, but not the LTC rider.

**Chronic Illness Rider:** Purchased as an optional protection on a life insurance contract, chronic illness riders help provide additional coverage should a chronic/non-recoverable illness occur.

- Pros:**
- Flexibility to use benefit payments however you choose, including family/home care, remodeling, groceries, transportation, housekeeping, lawn care and assisted living/skilled nursing care.
  - Benefits paid to help with expenses for chronic illness or to your beneficiaries as a death benefit or both.

- Cons:**
- There are usually additional premium requirements with the purchase of this additional rider.
  - Generally, there is no inflation protection to help protect against rising health care costs.

**Things to consider:**

- Adding protection via a chronic illness rider is likely only available at policy issuance. Generally, benefits are treated as accelerated life insurance death benefits, which will reduce the overall death benefit.
- Chronic illness riders do not necessarily cover all long-term care claims.
- Eligibility to make a claim usually is determined by being unable to perform two of six ADLs or needing "substantial supervision" due to cognitive impairment. In addition, these riders generally require that the physician must certify the chronic illness is likely to last the rest of the insured's life.
- Generally, the life insurance contract and chronic illness rider is underwritten together; however, this may vary by carrier, and separate underwriting may occur.

Annuities are insurance contracts designed for retirement or other long-term needs. Annuities may offer riders and benefits that can assist with the cost of long-term care should the need arise.

**Annuity with LTC Rider:** Purchased as an optional protection on an annuity contract, expenses will be paid from your annuity's value up to the specified maximum monthly amount until the annuity and rider's value has been depleted. In some cases, extended benefits may be available for an additional cost.

**Pros:**

- Less stringent medical underwriting than traditional long-term care insurance or life insurance would require.

**Cons:**

- In order to receive the benefits, you must first spend down your full annuity contract value.
- There are usually additional fees associated with the purchase of this rider.

**Things to consider:**

- Any withdrawals will reduce the long-term care benefits as well as the death benefit.

**Annuity Confinement Rider, a.k.a. "Doublers":** An option available on many fixed index annuity contracts, this rider is accessed once an insured meets the contract's qualifications for being confined to a nursing home or diagnosed with a terminal illness.

**Pros:**

- No medical underwriting.
- Many annuities offer this "doubler" option at no additional cost.

**Cons:**

- The benefit is a "doubler," which means it doubles the amount of your payout if a qualified long-term care need arises, usually until the qualifying account balance is depleted or the maximum amount of time, whichever is earlier.
- Contract rules may vary. For joint annuities, read your policy to understand which person(s) is entitled to the benefit.

**Things to consider:**

- Some policies only double if the insured is confined to a nursing home or diagnosed with a terminal illness; whereas some will consider at-home care (generally accessed once an insured cannot perform two of the six ADLs).
- Some policies may have a length of time the contract must be in force prior to benefits being available.
- Different contracts have different benefit periods. Check individual carriers and policy for details.

## WHAT'S THE NEXT STEP?

Thoughtfully consider which option, if any, is right for you to progress toward protecting yourself and your loved ones should the need for long-term care arise in your future.

Discuss your current situation and needs with a licensed insurance agent, tax advisor and/or attorney. Together, you can determine the options that are appropriate for your unique situation.

# GLOSSARY OF TERMS

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**Accelerated Death Benefit (ADB)** Generally, this benefit is attached to a life insurance policy, which enables the policyholder to receive an advance on the death benefit in the case of a terminal illness diagnosis.

**Activities of Daily Living (ADL)** Routine activities that people do every day without assistance. They are eating, bathing, dressing, toileting, transferring and continence. Losing the ability to perform at least two of the six activities of daily living generally prompts long-term care coverage to begin.

**Adult Day Care** Adult day care provides social and sometimes health-related services during the day in a community-based setting. Adult day care can offer relief for family members who are caregivers and can be ideal for those who would benefit from a group setting outside the home.

**Asset-Based LTC** Offering similar benefits as traditional long-term care policies, they differ in policy structure as an asset-based plan is built around a life insurance model.

**Assisted Living** A residential living arrangement that provides individualized personal care, assisting with ADLs, help with medication and light housekeeping. It's designed to help those with minimal needs to remain as independent as possible.

**Benefit Period** This is the length of time the benefit will be paid. Benefit periods may vary by carrier and policy. Be sure to read your policy for further clarification.

**Chronic Illness** A chronically ill person is an individual who has been certified by a licensed health care practitioner as unable to perform at least two activities of daily living without substantial assistance for a period of at least 90 days due to a loss of functional capacity or cognitive impairment. Some insurance carriers define a chronic illness as one that is likely to last the rest of the insured's life. In other words,

the condition must be non-recoverable. For this reason, temporary conditions would not be eligible for claim.

**Chronic Illness Rider** Also known as "accelerated death benefit for chronic illness," this is a type of coverage that can be added to a life insurance or annuity contract to provide added coverage in the event the policyholder has a health event that is considered a chronic illness.

**Daily Benefit** The maximum amount of benefit payable for long-term care services in any given day.

**Elimination Period** The required length of time when no benefits are payable and the time when the insured is determined to be eligible for benefits. This time period usually begins on the first day the insured meets the terms of the qualifying event.

**Home Health Aide Services** Home care can include companions to provide "hands-off" assistance with general household activities such as meal preparation, running errands and cleaning. Home care can make it possible for people to continue to live in their own homes and can be full or part time, depending on your needs.

**Indemnity Plans** Indemnity plans pay the maximum benefit allowed by the policy regardless of and without reference to expenses. While some plans may require a licensed service to be involved in the care, no bills or receipts are needed to justify the cost of care. Indemnity plans allow for a wide range of flexible solutions, because excess benefits, which are unneeded to pay for care, can be used for any purpose.



**Inflation Protection Benefit** This optional coverage automatically increases the daily benefit coverage amount annually either on a simple or compound basis to help protect against future inflation.

**Non-Forfeiture Benefits** This benefit, which is available for an extra cost, assures the policyholder that they will not forfeit all benefits if they cancel the policy or stop paying the premiums. In this situation, policyholders are eligible to receive a reduced benefit for a limited period of time until the non-forfeiture benefit is exhausted.

**“No Cost”/Included** Sometimes insurance carriers include certain features as part of your policy for no additional charge. Instead of charging for the coverage as part of the cost of insurance, they discount the acceleration of the death benefit when the coverage is actually needed. As a result, benefits cannot be determined until the policyholder makes a claim.


**Nursing Home** Nursing home services offer the most comprehensive care option, providing room and board with both skilled and personal care services, and may include medical care, therapy and other health-related services. Nursing home care may be temporary or permanent, and services may vary by facility.

**Partnership Program** This federally supported, state-operated program allows individuals who purchase a qualifying long-term care insurance policy to protect a portion of their assets that they would typically need to spend down prior to qualifying for Medicaid coverage once their policy benefits have been exhausted. Check with your state and insurance policy to verify eligibility for participation.

**Qualifying Expense** Simply stated, a qualifying expense is one that is covered. This can vary by contract type and carrier. Please consult your insurance policy for further clarification.

**Reimbursement Plans** These plans will never pay more than the qualifying LTC expenses incurred, regardless of what the stated maximum benefit may be. Qualifying expenses do not normally include the cost of home modifications or medical equipment.

**Waiver of Premium** A policy provision on an insurance contract that suspends premium payments after a specified period of time when an insured is receiving long-term care benefits.



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