

Long-term Care

For most of my clients, the number one goal is a secure retirement. The elephant in the room is what an extended care need could do to their income and assets.

Medicare and health insurance, in their current forms, cover illnesses and rehabilitation. What they usually don't cover is care when you are sick and won't get better. Medicaid might handle long-term care but only when your own assets are exhausted. If the objective for all your other goals is not to die broke, it doesn't work here either.

We keep coming back to the computerized retirement income analysis. The second page shows a "what-if" illustration for the fictitious Golden family. The base case on the left is their current assets and expected expenses. The case on the right includes a long-term care need lasting five years when Steve turns 78. I'm using today's cost of \$60,000 and inflating that number by 4.25% until then. Living expenses have cost-of-living adjustments of 3.72%

The chart on the left shows their assets starting to falter down the stretch but still adequate to support their lifestyle. The L-T Care case depletes assets to the point where their current lifestyle is unsustainable. Remember, these illustrations are not guarantees.

This chart only shows investment assets but we can also include all assets. You may be able to harvest a real estate holding or downsize a primary residence. Not that you ever want to have to sell something but an orderly liquidation is better than a forced decision (and maybe someone else's decision) at a bad time. Other times we need to look at insuring the risk. I can't go into a lot of detail about Long-term Care insurance because the products are heavily regulated and need extensive disclosure information. If we get to the stage where we should consider insurance, you will get complete information before making any decisions. I just want you to

know there may be options that let you stay at home rather than at a facility you didn't choose.

Cash Flow

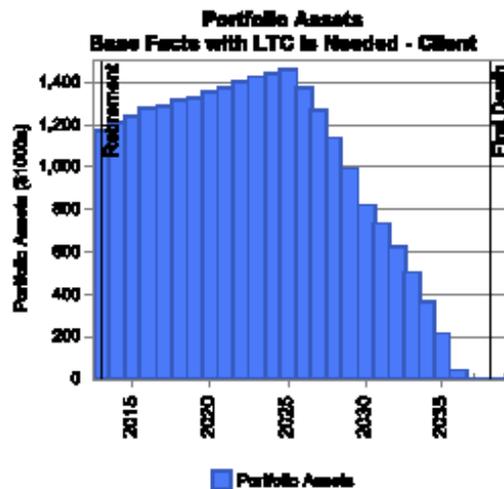
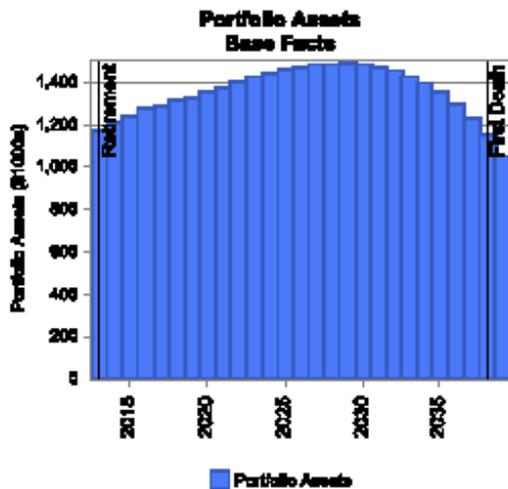
Base Facts vs. Base Facts with LTC is Needed - Client (All Years)

Prepared for Steve and Lydia Golden

The Cash Flow report illustrates your income, savings, expenses, and resulting net cash flow on an annual basis.

Based upon the levels of income and spending in the *Base Facts*, your portfolio assets will last through at least 2039 (age 91/90).

Based upon the levels of income and spending in the *Base Facts with LTC is Needed - Client*, you will deplete your portfolio assets in 2037 (age 89/88).



RELEVANT FACTS

Steve's Retirement:	2013 (85)
Lydia's Retirement:	2014 (85)
First Death (Steve):	2038 (90/89)
LIVING EXPENSES	
Current:	\$90,000
Retirement:	\$80,000
After First Death:	\$80,000
Indexed at:	3.72%
Inflation Rate:	3.72%

RELEVANT FACTS

Steve's Retirement:	2013 (85)
Lydia's Retirement:	2014 (85)
First Death (Steve):	2038 (90/89)
Health Event (Steve):	2028 (78/77)
	thru
	2030 (82/81)
LIVING EXPENSES	
Current:	\$90,000
Retirement:	\$80,000
After First Death:	\$80,000
Indexed at:	3.72%
Inflation Rate:	3.72%

This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions, or fees or product charges that may apply to any particular investment. Deduction of such charges would result in a lower rate of return. Consult your tax and/or legal advisor before implementing any tax or legal strategies. Past performance is no guarantee of future results. The market for all securities is subject to fluctuation such that upon sale an investor may lose principal.

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