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A Long-Term Care Guide

Father time eventually catches all of us, even the models of healthy living. That means we must plan for our long-term care needs. This is complicated. Where to begin?

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By [Walid L Petiri](#) | Posted: 05-16-12 | 01:40 PM | [Email Article](#)

Father time eventually catches all of us, even the models of healthy living. That means we must plan for our long-term care needs. This is complicated. Where to begin?

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First, don't think you will be the exception who will not need LTC. Today, with 85 and older the fastest growing demographic group in the country, it is likely that at some point most of us will need a nurse, an aide or some other medical care provider. Or we will need to live in a nursing care home or assisted living facility.

The question is not if, but when. So here are the vital things to consider:

How will you pay for long-term care?

Most people never give thought to the question until they need medical services and then of course it is way too late. The strongest solutions range from self-insuring (i.e. having lots of money around) to purchasing long-term care insurance. The other that people often believe is that Medicare will take care of them. Wrong. It does not cover LTC.

As baby boomers leave their careers behind, long-term care

insurance will become very important in their financial strategies. The reasons to get an LTC policy after age 50 are very compelling.

Your premium payments buy you access to a large pool of money to cover long-term care costs. By paying for LTC out of that pool of money, you can preserve your retirement savings and income.

The cost of assisted living or nursing home care alone could motivate you to pay the premiums. Genworth Financial conducts a respected annual [Cost of Care Survey](#) to gauge the price of long term care in the U.S. The report found that:

- In 2010, the median annual cost of a private room in a nursing home is \$75,190 or \$206 per day – \$14,965 more than it was in 2005.
- A private one-bedroom unit in an assisted living facility has a median cost of \$3,185 a month – which is 12% higher than it was in 2009.

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- The median payment to a non-Medicare certified, state-licensed home health aide in 2010 is \$19 per hour, up 2.7% from 2009.

The most recent (2009) estimate of LTC costs from the U.S. Department of Health and Human Services was even higher than the Genworth survey – \$219 per day for a private room in a nursing home, or \$79,935 per year.

Can you imagine spending an extra \$30,000 to \$80,000 out of your retirement savings in a year? What if you had to do it for more than one year?

Let's take that \$79,935 figure from the government and factor in inflation. At 5% inflation, that private room will cost you \$130,206 per year by 2019 and \$212,091 annually by 2029.

AARP notes that approximately 60% of people over age 65 will require some kind of long-term care during their lifetimes.

Don't procrastinate The earlier you opt for LTC coverage, the cheaper the premiums. This is why many people purchase it before they retire. Those in poor health or over the age of 80 are frequently ineligible for coverage.

What it covers

Some people think LTC coverage just pays for nursing home care. That's inaccurate. It pays for a wide variety of nursing, social and rehabilitative services at home and away from home, for people with a chronic illness or disability or people who just need assistance bathing, eating or dressing.

Choosing a DBA

That stands for Daily Benefit Amount. This is the maximum amount that your LTC plan will pay per day for care in a nursing home facility. You can choose a DBA when you pay for your LTC coverage, and you can also choose the length of time that you may receive the full DBA on a daily basis. The DBA typically ranges from a few dozen dollars to hundreds of dollars. Some of these plans offer you inflation protection at enrollment, meaning that every few years, you will have the chance to buy additional coverage and get compounding so your pool of money can grow.

The Medicare myth

Too many people think Medicare will pick up the cost of long-term care. Medicare is not long term care insurance. Medicare will only pay for the first 100 days of nursing home care, and only if: 1) you are getting skilled care, and 2) you go into the nursing home right after a hospital stay of at least three days. Medicare also covers limited home visits for skilled care, and some hospice services for the terminally ill. That's all.

Now, Medicaid can actually pay for long term care – if you are destitute. But are you willing to wait until you are broke for a way to fund long-term care?

What to look for and when

You may have heard that LTC insurance is expensive compared with some other forms of policies. But the annual premiums (about as much as you'd spend on a used car from the late 1990s) are nothing compared to real-world LTC costs.

More importantly your mid- to late-50s is an excellent time to search, as most of the health issues that appear in your 60s or 70s have not started, and those will raise premium costs.

Also as a "younger" senior, your rates are lower as the probability of using the care is years away. You can ask your financial or insurance professional about some of the LTC choices you can explore that will allow you to have a policy paid in full when you retire or even return unused premiums and earn you some interest on the excess premiums too.

Make sure you examine thoroughly the credit rating of the insurance carrier (it should A rate or higher) as just like a good bond. You want a high degree of certainty that the insurance company is financially sound and will be around when it's time to pay your claims.

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