



PREPARING FOR THE COST OF CARE IN RETIREMENT

According to the U.S. Department of Health and Human Services, 52% of Americans over age 65 will develop a disability serious enough to require long-term care for a period of up to two-years, while 70% will need care for a period of five years or more.¹ And paying for that care can be costly. While two-thirds of Americans assume the government will fully or partially pay for long-term care services,² Medicare only pays for long-term care if you require skilled services or rehabilitative care. Medicare does not pay for non-skilled assistance with Activities of Daily Living (ADL), which make up the majority of long-term care services.³

How costly are long-term care services? The *Genworth 2017 Cost of Care Survey* indicates that the annual median cost of long-term care services increased an average of 4.5% from 2016 to 2017, the second-highest year-over-year increase for nursing homes and home care since the study began in 2004 and nearly three times the 1.7% U.S. rate of inflation.² Although the national median cost of receiving care rose considerably across all care options during the last 12 months, according to the study's authors, the increase was most pronounced for home health aides. The good news is that home care—the type of care preferred by 77% of retirees⁴—is still more affordable than nursing home care. Below is a glimpse at the median costs for services in 2017:²

- Home health aide services, up 6.17% to \$21.50/hour
- Homemaker services, up 4.75% to \$21/hour
- Adult day health care services, up 2.94% to \$70/day
- Assisted living facilities, up 3.36% to \$123/day or \$3,750/month
- Semi-private room nursing home care, up 4.44% to \$235/day or \$7,148/month
- Private room nursing home care, up 5.50% to \$267/day or \$8,121/month

Where you choose to live in retirement also has an impact on the cost of care. Alaska, Connecticut, Hawaii, Massachusetts and New York are the top five most expensive states for private nursing home care, while home health aide services are most expensive in North Dakota, Alaska, Minnesota, Wyoming, Washington and New Hampshire.²

While maintaining a healthy lifestyle in retirement is one of the best ways to help reduce overall healthcare costs, planning for the unexpected is equally important and a critical component of any well-conceived retirement income plan. That's where your financial advisor can help. Using sophisticated planning tools, your advisor can model various scenarios and provide personalized cost projections based on your income, care preferences and lifestyle goals.

If you would like to plan for the possibility of long-term care, please contact the office today to learn more.

¹ <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>

² <http://newsroom.genworth.com/2017-09-26-Genworth-2017-Annual-Cost-of-Care-Survey-Costs-Continue-to-Rise-Across-All-Care-Settings>

³ <https://longtermcare.acl.gov/the-basics/glossary.html#medicare>

⁴ <https://www.financial-planning.com/news/home-healthcare-costs-are-soaring-along-with-ltc-costs>

FIVE DEADLINES YOU CAN'T AFFORD TO MISS

Retirees are staying busier than ever in retirement – volunteering for the causes and organizations they support, traveling, spending time with family and friends, and exploring interests they didn't have time to focus on while working. But, alas, even retirement can't be *all* fun and games. It turns out that Uncle Sam has a few items to add to your retirement bucket list. Fortunately, the rewards are yours to reap when you stay on top of the following age-based events in retirement.

1. **Age 62** – you're eligible to receive Social Security retirement benefits. However, your benefit amount may be reduced by 25% to 30% (depending on your birth year) vs. claiming benefits later upon reaching your full Social Security retirement age.¹
2. **Age 65** – you're eligible for Medicare. Even if you decide to delay your benefits until *after* age 65, you should still apply for Medicare benefits within three months of your 65th birthday. If you wait longer, your Medicare medical insurance (Part B) and prescription drug coverage (Part D) may cost you more money.¹
3. **Age 65-67** – if you haven't begun receiving benefits, you're eligible to receive your full Social Security benefit based on your date of birth. (Visit www.ssa.gov to determine your full retirement age.)¹ But keep in mind, Social Security retirement benefits are increased by a certain percentage each year you delay claiming benefits up to age 70.²
4. **Age 70** – if you delayed taking Social Security benefits until now, you're eligible to receive your maximum Social Security retirement benefit. And there's no reason for further delay since the benefit increase is capped at age 70.²
5. **Age 70 ½ and over** – You generally must start taking withdrawals, called required minimum distributions (RMDs), from your IRA, SIMPLE IRA, SEP IRA, or retirement plan account(s) by April 1 following the year you reach age 70½. (Roth IRAs do not require withdrawals until after the death of the owner.) Your RMD is the minimum amount you must withdraw from your account each year.³ You're also eligible to make Qualified Charitable Distributions (QCDs). QCDs allow you to give up to \$100,000 to charity directly from your individual retirement account (IRA) when you are age 70 ½+ without counting the distribution as taxable income.⁴ Certain rules apply so be sure to discuss with your financial advisor before initiating a QCD.

How and when you begin taking Social Security benefits has a lasting impact on your income in retirement. If you'd like assistance in determining the right Social Security claiming strategy for you and/or your spouse, contact the office today. We're happy to help you with any questions you have about planning for and living your best life in retirement.

¹ <https://www.ssa.gov/planners/retire/agereduction.html>

² <https://www.ssa.gov/planners/retire/delayret.html>

³ <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

⁴ <https://www.forbes.com/sites/davidmarotta/2016/04/28/qualified-charitable-distributions-qcds-from-iras/#6013d5ab41f1>

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