



The MassMutual Long Term Care in America Study

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As the Baby Boomer generation shifts toward retirement, America faces a major challenge in protecting its seniors against the risk of a long term care need.

Long term care is a variety of services and supports to help meet personal care needs over an extended period of time. Long term care may involve non-skilled personal care assistance, such as help performing everyday Activities of Daily Living (ADLs).

Long term care (LTC) has long been among the most significant hazards older Americans face, bringing with it the potential to wipe out retirement savings or severely burden one's family. Likewise, it regularly tops the list of retirement issues that most concern many Americans.^{1,2}

Yet, new challenges create even greater pressure on seniors today: rising costs of care make paying for high quality, professional care increasingly difficult, and the changing makeup of families, such as being smaller and more geographically dispersed, means there may be fewer familial resources to fall back on.^{3,4,5}

Massachusetts Mutual Life Insurance Company (MassMutual®) has focused on protecting our policyowners, since the company's founding in 1851, so it is of critical importance to the company to better understand the issue of long term care from the lens of today's consumer.



We recently commissioned a study of consumers to better understand how consumers view long term care and the financial and emotional aspects involved.

The MassMutual Long Term Care in America Study helps to better understand the issues of long term care and offers insights on:

- Consumer awareness and concern about long term care and how these are both shaped by prior family experiences.
- The role financial professionals play for Americans in helping address long term care needs.



Methodology

The **MassMutual Long Term Care in America Study** included a quantitative survey of consumers. MassMutual partnered with research firm Greenwald & Associates for the study.

SURVEY



A survey of 1,009 consumers was conducted online between October 1 and 11, 2019. Respondents were required to be between the ages of 45 and 70, have household assets of at least \$500,000, and have liquid assets of at least \$75,000. The results were weighted to be reflective of the broader population in these age and asset ranges. The margin of error for the survey is +/- 3% at the 95% confidence level.

A strain on American households

The unfortunate reality for American families today is that long term care is an all too familiar issue. Many families will have, at the very least, witnessed a loved one experience a long term care need.

Among those surveyed who had witnessed a long term care need in their family, the vast majority describe the experience as emotionally difficult for those involved. For roughly half, the care was also a challenge financially, despite the fact that those in the study were of relative affluence.



found the event
FINANCIALLY
difficult



found the event
EMOTIONALLY
difficult

In most cases, long term care needs require paid, professional care: 85% of survey respondents who had witnessed a family member's long term care experience said this was the case. The most common funding sources in these instances included:

- Personal savings
- Medicare/Medicaid
- Out-of-pocket cash
- Retirement funds

The responses revealed that many attempt to self-fund the cost of their own potential long term care need.

Self-funding might come at a secondary cost, however. Consumers who witnessed a loved one pay for care from their personal savings or cash are also more likely to report emotional difficulty for those involved.

Consumers Realize Long Term Care is a Concern

Given the pervasiveness of the long term care experience, it's not altogether surprising that the majority of those surveyed have thought of future long term care planning for themselves or their family.

Of those surveyed 71% have thought about long term care needs over the last year. That said, only 16% gave the issue a "great deal of thought," which may indicate that for many, consideration of long term care needs did not extend to detailed planning.

Certainly the increasing costs of covering long term care needs is a concern among many. So how do respondents expect to pay for their own long term care needs in the future?

When respondents were asked how they were going to pay for a potential long term care need, 82% predicted that at least half of their care would be paid care. Those anticipating paid care are most likely planning to use personal savings or retirement funds.



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LONG TERM CARE NEEDS
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predict that **AT LEAST HALF OF THEIR CARE WILL BE PAID FOR.**
Most likely using personal savings or retirement funds.

The respondents' confidence in being able to pay for long term care needs is revealing as well, especially when presented with a hypothetical cost of care that might last for multiple years. Of those with total household assets of \$1M- \$2.5M, only 33% are highly confident about their ability to pay for a potential \$80,000 annual long term care cost for 4 to 5 years. Those with more than \$2.5M in assets are better positioned to absorb that level of cost, but still just over half (56%) of this more affluent group feels highly confident.



33%

of those with household assets of \$1M to \$2.5M are highly confident they can cover a potential \$80,000 **ANNUAL LONG TERM CARE COST** for 4 to 5 years.

Confidence in paying for long term care and maintaining one's standard of living is also challenged by the idea of possibly living longer than expected. When asked to consider living 10 years beyond their self-reported life expectancy, a full 40% become less confident about paying for care.

This sensitivity to longevity is cause for alarm. It is certainly possible to experience a long term care need for an extended period of time, especially care related to Alzheimer's and dementia. It's also quite common to live longer than expected in general. As new research by the Society of Actuaries shows, consumers are already bad at estimating life expectancy: only half can estimate their own life expectancy within five years of what expert models suggest.⁶

**When considering living
5 years beyond life expectancy:**



become **LESS CONFIDENT**
about paying for LTC needs!

**And when considering living
10 years beyond life expectancy:**



become **LESS CONFIDENT**
about paying for LTC needs!

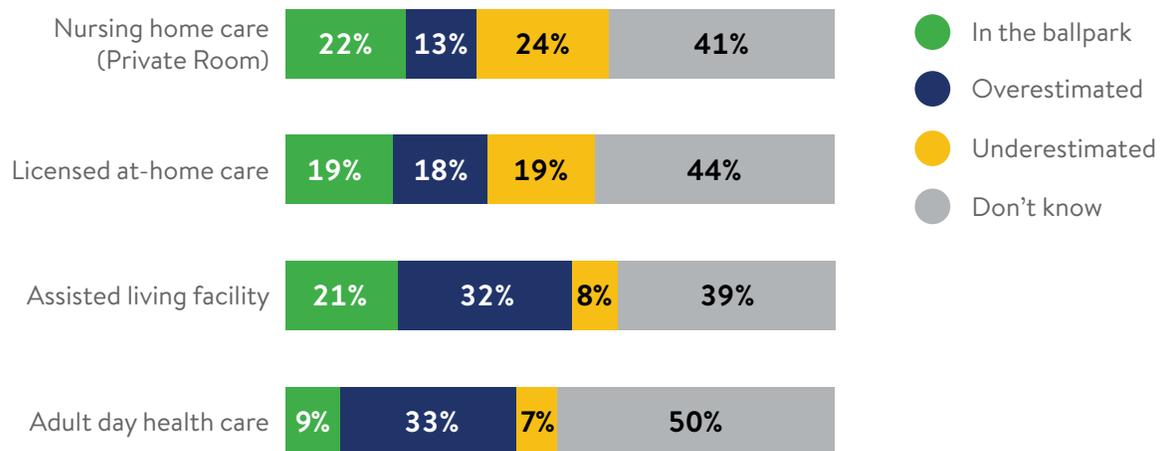
Underestimating the Need for Long Term Care

Another interesting observation from the study is people's denial that they may need long term care. Among those surveyed, only 15% consider it highly likely that it will happen to them. And, the reality is that 70% of adults who survive to age 65 will need long term care in the future.⁷

**Expectations
of needing
long term care**



HOW WELL CONSUMERS UNDERSTAND LONG TERM CARE: COMPARISON OF SURVEY ESTIMATES VS. NATIONAL MEDIAN ANNUAL COST³



Percentages in the chart above have been rounded.

Need for education

Many people have difficulty estimating the average length of care and how much long term care costs.

Cost, in particular, is a topic most are in the dark about. As many as 40% to 50% of respondents are unable to guess what the annual cost might be for different services, such as nursing home care or licensed at-home health care services. In addition, most of those who do attempt an answer are off by a considerable margin. For example, only about a quarter are “in the ballpark” (defined generously as within 25% of the answer, high or low) for the national median annual price of nursing home care.

Given the difficulty many have in estimating the likelihood of needing care and what it might cost, it’s not surprising then that Americans are eager for help from financial professionals in getting more information about long term care and developing strategies for protecting against the risk.

The value of discussions with a financial professional

The demand for long term care planning help from financial professionals is clear: three-quarters of those working with a financial professional think these professionals should discuss long term care solutions with clients.

Two-thirds of those who work with a financial professional say they have discussed the topic of how to pay for long term care with their financial professional, yet only 20% say they have discussed the topic extensively.

Why is the discussion with a financial professional so important?

At some point, you may need to pay for long term care expenses. Understanding the risks, realities, and potential ways to pay for these expenses when they arise is the first step in preparing for the possibility that you may need care.

The time to create a plan is now – while you are healthy. The earlier you begin, the more options you may have to continue living life on your terms. Should a severe cognitive impairment, a serious illness, or an accident or injury cause you to need assistance with your daily activities, a plan can help you prepare to receive the care you want – in the setting you choose.

Financial professionals are positioned to discuss your questions around long term care needs. They can help you plan for the risk of needing long term care and can offer solutions to protect you and your family. There is not a better time to begin these discussions.



MassMutual..

Helping you secure what matters most.

Since 1851, MassMutual has been building a reputation for financial strength and integrity. At MassMutual, we operate for the benefit of our customers. Our business decisions are based on a single guiding principle: to help people secure their future and protect the ones they love.

For more information, please contact your financial professional for help with long term care planning.

¹ Greenwald & Associates and CANNEX, “Guaranteed Lifetime Income Study.” Study conducted 2019.
www.greenwaldresearch.com/wp-content/uploads/2019/06/GLIS-2019-Supplemental-Data.pdf

² T. Rowe Price. “Retirement Savings and Spending: Behaviors and Attitudes Toward Retirement.” Study conducted 2018.
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³ Source: Genworth, “Cost of Care Survey 2004-2019.”
www.genworth.com/aging-and-you/finances/cost-of-care/cost-of-care-trends-and-insights.html

⁴ U.S. Census Bureau, “Current Population Survey: March and Annual Social and Economic Supplements.” Published 2019.
www.census.gov/data/tables/time-series/demo/families/households.html

⁵ AARP, “Valuing the Invaluable: 2019 Update”
www.aarp.org/content/dam/aarp/ppi/2019/11/valuing-the-invaluable-2019-update-charting-a-path-forward.doi.10.26419-2Fppi.00082.001.pdf

⁶ Society of Actuaries, “Longevity Perceptions and Drivers: How Americans View Life Expectancy”
www.soa.org/globalassets/assets/files/resources/research-report/2020/longevity-perceptions-drivers.pdf

⁷ U.S. Department of Health and Human Services. April 2017.
<https://aspe.hhs.gov/system/files/pdf/261036/LifetimeRisk.pdf>

