

Retirement Planning, Part 18  
Long-Term Care Insurance Trade-Off  
By Gary Case

The government's Medicare program does not pay for most nursing home or assisted living costs if retirees are no longer able to care for themselves. Consequently, another trade-off retirees need to weigh is the one between the costs for long-term care insurance (LTCI) and the risk that lack of such coverage may inflict serious damage on their assets if they face prolonged long-term care needs. Medicaid does provide some catastrophic protection for those who are willing to spend down their assets to qualifying levels. The annual cost for nursing home coverage in the treasure valley is approaching \$60,000. According to a 2003 study by GE Capital Assurance, the average cost of LTCI for couples who qualify for standard health rates is:

Age 45	Age 50	Age 55	Age 60	Age 65	Age 70	Age75
\$1,361	\$1,399	\$1,512	\$2,117	\$3,062	\$5,027	\$8,883

A LTCI policy may pay most of the costs for nursing home care, and many policies also pay for care at home or in other community settings. Since policies vary in coverage, it is important that people who are considering LTCI understand the terms of that a policy covers. A knowledgeable advisor can assist in comparing benefits of policies. The financial strength of the insurance company is a major consideration, since a policy will likely be in force for a long time. Idaho is participating in an awareness campaign being funded by the Centers for Medicare and Medicaid Services (CMS) and the U.S. Department of Health and Human Services (DHSS). More information on this project can be obtained via the internet at [www.ltcaware.info](http://www.ltcaware.info).

Long-term care costs can be devastating if they run for long periods. While studies show that an average nursing home stay is less than three years (costing ~\$180,000), in cases involving Alzheimer's as well as other dementias, stays of eight or more years routinely occur. Spending assets over longer periods of long-term care will obviously deplete even very substantial retirement accounts. Retirees must calculate this trade-off with a clear sense of their personal health and history as well as a sense of the statistical likelihood of needing long-term care for an extended period of time.

For those who choose LTCI, insurance that includes inflation protection can help offset the rising costs of care. In Idaho, LTC costs have risen over 8% annually for the past 5 years. LTCI policies sold in Idaho may include an inflation protection rider providing a 5% compound benefit.

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