RETIREMENT RISK ADVISORS

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RRA NEWSLETTER

Checkmate a Costly Risk: Long-Term Care

As a CPA knowing what long-term care entails and how to manage it will not only help with your retirement but your clients' retirement, too.

A Retirement Necessity: The Overview

With life expectancy rising each year, the longer you live, the higher of a chance you may experience a long-term care event. If you live to your average life expectancy, you are already at a 70% chance of having a long-term care event. A long-term care event is defined by being unable to perform two of the six activities of daily living (ADL) and needing assistance. Those are:

- Bathing: ability to clean and groom oneself regularly
- Dressing: getting dressed without struggling with buttons and zippers
- Eating: feeding oneself
- Transferring: moving from one place to another, such as moving from a wheelchair to bed
- Continence: being able to use and manage bladder and bowel movements
- Toileting: moving to and off the toilet

A misconception about long-term care is immediately assuming it means nursing facility. A more appropriate approach would be to think of it as additional healthcare, even though LTC events are non-medical. And the most common continued care is provided at-home by a family member or a licensed home health agency.

Unfortunately, LTC is expensive. For at-home services, the average cost nationwide is $54,000. Adult day health care costs about $20,000, and care in a nursing home costs roughly $105,000 yearly. By the time you need LTC the cost will likely increase.

Does planning for long-term care seem sensible for your retirement?

The answer: Many will not plan for an LTC until it is too late.

Where do you start?

Paying for Long-Term Care in Retirement

Each option has advantages and risks and knowing these will let you determine what your best plan of action is.

From Retirement Assets

Without any coverage you will pay for LTC out-of-pocket. For most retirees, this is not the best option. If you are married, there is a good chance you and your spouse will both need long-term care. Essentially doubling your cost in LTC, you may consider shared care if you are married to save on costs.

Traditional Long-Term Care Insurance

This option is all-or-nothing. You either use the benefits or you do no end up using it. However, if you do not use the LTC insurance policy, your family/heirs do not typically see a death benefit payout. As a specialized insurance, you pay to have the insurance company cover out-of-pocket costs for long-term care. With the need for long-term care increasing, over the years policy holders have seen increases in premiums.

Life Insurance Policy with Chronic Care Rider

Life insurance can provide an upgrade. As part of your policy, many life insurance companies offer a rider that will help pay for long-term care. In the case you should need long-term care, your life insurance will pay out a fourth of the death benefit from your policy up to four years. Should you not use all the death benefit for your long-term care, your heirs will receive whatever remains after you pass.

These riders can also apply to permanent life insurance policies that will allow a portion of the policy to be invested; a portion that will grow and may be tax-free upon withdrawal.

Deferred-Income Annuities

While used more as a stream of income, deferred-income annuities may be used as monthly payments to offset the cost of long-term care. In some cases, you may be able to purchase a deferred-income annuity with long-term care coverage or a long-term care rider.

Upcoming March Webinars

3/7 – Getting Safely Through Retirement: A New Paradigm in Retirement Planning

3/8 – Take Control of You Retirement with a Self-Directed Plan

3/9 – Evolving Retirement Law: The Challenges, The Changes & Your Choices

3/10 – How to Retire in the 0% Tax Bracket

3/16 – Getting Safely Through Retirement: A New Paradigm in Retirement Planning

3/17 – How to Protect Your Retirement Assets Before the Next Crash

3/18 – Evolving Retirement Law: The Challenges, The Changes & Your Choices

3/21 – Don't Worry, Retire Happy

3/22 – Choosing the Right Life Insurance for Your Retirement

3/22 – The Changing World of Retirement

3/23 – The Truth About Reverse Mortgages: Everything You Need to Know

3/23 – Getting Safely Through Retirement: A New Paradigm in Retirement Planning

3/24 – The Changing World of Retirement

3/25 – The Foundation for a Secure Retirement

3/28 – Roth IRAs: A Great Option for Most Retirees

3/28 – Evolving Retirement Law: The Challenges, The Changes & Your Choices

3/29 – How to Protect Your Retirement Assets Before the Next Crash

3/30 – Getting Safely Through Retirement: A New Paradigm in Retirement Planning

Find all Webinars at RetirementRiskAdvisors.com/events

Happy March, CPAs!

As humans live longer the need for long-term care increases each year. Right now, average life expectancy for males is 84 and 88 for females. By 2030, experts are predicting that life expectancy averages will increase by two years. And statistically speaking, living to your full retirement age when you can claim Social Security benefits puts you at a 50% chance of having a long-term event.

With this direct correlation and retirement being between 20-40 years, it is important to factor in long-term care events as a retirement risk.

This month we decided to focus on how and why LTC is important to plan for. The last thing you want in your golden years as a CPA is a costly risk that could have been planned for.

We hope this information helps you on your path through retirement planning.

From our family to yours,
The Retirement Risk Advisors

Contact us now

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