ASSET STRATEGY

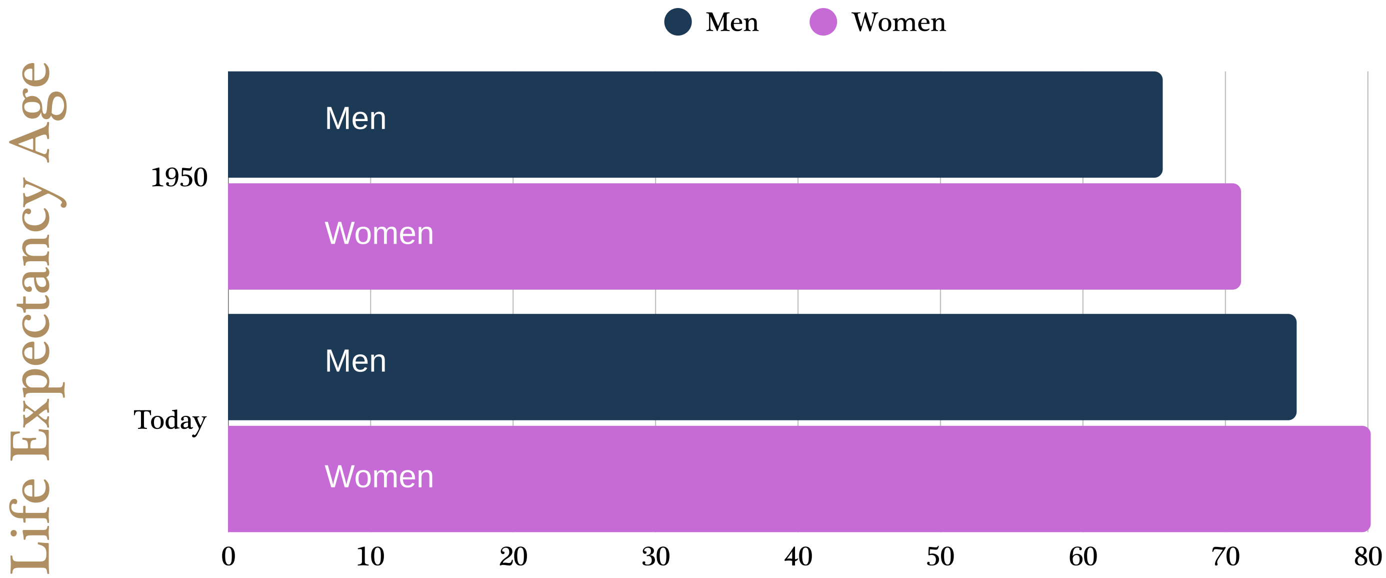
Helping You Create, Manage, Protect, & Distribute Wealth®

2026

INTRODUCTION TO LONG-TERM CARE

Introduction

Americans today are living longer than in the past. In 1950, life expectancy for Americans was 68 years old, and in 2026, it's about **77.5 years on average** (with men around **74.8** and women around **80.2**). Of course, many people live to be older than that. In fact, demographic projections indicate that the number of older adults, including those 90 and older, will grow substantially by mid-century as the population ages, with the overall share of people 65 and older expected to rise significantly by 2050. A longer, healthier life is certainly a blessing, but it comes with extra costs that are important to consider when creating a retirement plan. [1.]



Saving more money is a good start for covering your expenses in retirement, but you should also estimate how much you will need. Healthcare remains one of the largest retirement expenses.

Recent estimates suggest a 65-year-old couple retiring today may need roughly $330,000 - $388,000 in savings just to cover healthcare costs during retirement when accounting for premiums, out-of-pocket costs, prescriptions, and other medical expenses. This figure does not include a major health-related expense: long-term care, which Medicare generally does not cover and can be very costly if needed. [2.]

If you know someone who takes care of their parents, you know how stressful this can be. Even if your family members are nearby and can help you around the house as you get older, they might not be able to provide you with all the care you need. That's why knowing that you have a long-term care plan in place in case it's needed can help give you and your family peace of mind.

1. https://www.cdc.gov/nchs/fastats/life-expectancy.htm as of 6/5/2025
2. https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs as of 9/5/2025

Long-Term Care

Long-term care is not technically medical care. It is assistance with everyday tasks like bathing, dressing, mobility, housework, shopping, food preparation, and eating. We might not want to think about getting to a point where we can't do these things for ourselves, but the reality is that it happens, and it's much better to be prepared.

It's estimated that 70% of Americans age 65 and older will need long-term care at some point in their lives. [3.]

As of 2026, the average duration of long-term care for those who need it is about **3.7 years for women** and **2.2 years for men**.

The median annual cost for a private room in a nursing home in the United States is roughly **$120,000 to $136,948**, depending on the data source and room type, with nationwide averages falling in this range as costs continue to rise from prior years. Consequently, individuals retiring at age 65 should anticipate incurring significant long-term care expenses, often exceeding **$130,000 to $140,000** over the course of their retirement if extended care is required. Long-term care costs have grown substantially over the past two decades and are expected to keep increasing, potentially imposing even higher expenses in the future. [4.]

Long-Term Care Locations

Long-term care can be provided at home, in an assisted living facility, or in a nursing home.

Nursing homes offer skilled nursing care for injuries, illnesses, or chronic conditions and provide assistance with all activities of daily living, including bathing, dressing, mobility, toileting, and eating.

Another option is an assisted living community, which typically offers multiple levels of care such as independent living, assisted living, and skilled nursing within one location. Retirees who are mostly independent but want fewer household responsibilities may start in independent living and can transition to higher levels of care within the same community if their needs change.

3. https://acl.gov/ltc/costs-and-who-pays/what-is-long-term-care-insurance as of 2/18/2020
4. https://www.investopedia.com/usd10-000-a-month-for-parents-long-term-care-is-a-growing-crisis-who-can-afford-to-pay-11891681 as of 1/27/2026

Traditional L.T.C Insurance

There are several ways to pay for long-term care, and the right choice depends on your individual circumstances. One option is insurance, which may include traditional long-term care insurance, life insurance with a long-term care rider, or certain annuities designed to help cover care costs.

Long-term care insurance premiums for a 65-year-old in 2026 are estimated to average about **$1,800 per year** for men and **$2,800 per year for women**, typically providing approximately **$165,000 to $170,000** in initial benefits.

To obtain higher coverage amounts, such as roughly **$380,000** or more by age 85, policyholders may add inflation protection riders. These riders increase benefits over time to help offset rising care costs, but they also raise annual premiums.

For example, a 65-year-old man selecting a policy with a 5% annual inflation growth feature may pay around **$4,200 annually**, while a woman of the same age could pay approximately **$7,200** per year for similar coverage.

If you plan to purchase insurance, buying coverage in your 50s or early 60s is generally more cost-effective than waiting, since premiums tend to rise with age. Even a one-year delay can result in an 8-10% increase in initial premiums.

One drawback of long-term care insurance is that premiums are not guaranteed to remain level. In recent years, many policyholders have experienced rate increases as insurers adjusted pricing to reflect higher-than-expected claims and longer lifespans.

5. https://www.retirementliving.com/best-long-term-care-insurance/cost-of-long-term-care-insurance-by-age as of 11.25.2025
6. https://www.kiplinger.com/retirement/long-term-care/how-to-pay-for-long-term-care as of 10.7.2025

Tax Deductions & HSAs

One way to mitigate long-term care insurance costs is to deduct part of them from your taxes. Most qualified long-term care policies are tax-qualified, so if you itemize your taxes, you can consider deducting premiums as medical expenses. The amount you can deduct increases with age, based on IRS limits for the 2026 tax year. These represent the maximum premiums that can be treated as medical expenses for tax deduction purposes:

- Age 40 or younger: $500
- Age 41 to 50: $930
- Age 51 to 60: $1,860
- Age 61 to 70: $4,960
- Age 71 and older: $6,200 [7.]

Another way is to use a Health Savings Account (HSA), which is a tax-advantaged savings account that allows you to put away pre-tax dollars to pay for qualified medical expenses.

In order to qualify for an HSA, you must be covered under a qualified high-deductible health plan.

7. https://www.aaltci.org/news/long-term-care-insurance-association-news/2026-tax-deductible-limits-for-long-term-care-insurance-increase-3-percent as of 10/9/2025

A New Type of Policy

One reason some people hesitate to purchase long-term care insurance is the concern that if they **never need care**, the money spent on premiums will be lost. In response to this concern, newer policy designs have become more common that combine long-term care benefits with permanent life insurance. While these policies vary in structure, they generally provide a death benefit if long-term care is never needed.

These combination, sometimes called **hybrid policies**, are typically structured as permanent life insurance with an added long-term care benefit. Depending on the policy, benefits may be paid over a specified period of time or up to a maximum dollar amount. If you do not use the full long-term care benefit during your lifetime, any remaining value is usually paid as a death benefit to your beneficiary. Some policies also include a return-of-premium feature, which may allow premiums to be refunded upon death or if the policy is surrendered after a certain number of years.

Like traditional long-term care insurance, hybrid policies often provide long-term care benefits that are several times greater than the total premiums paid. However, unlike traditional policies, premiums are typically fixed and do not increase over time, and payment options may be more flexible, including single-pay or limited-pay designs.

An annuity-based long-term care insurance policy works in a similar way. In exchange for a lump-sum payment, the policy provides enhanced benefits if long-term care is needed and still pays a benefit if care is never required. These policies generally do not involve ongoing premium increases, but they do require a significant upfront investment.

Long-term care annuities may also offer tax considerations. Qualified annuities are funded with pre-tax dollars, and distributions are taxed as ordinary income, similar to other retirement accounts. Non-qualified annuities are funded with after-tax dollars, but a portion of each payment may still be taxable due to investment growth. The taxable portion of payments depends on factors such as the amount of principal invested, the length of time the annuity has grown, its earnings, and life expectancy.

What about Medicare? Is Long-Term Care Covered?

Some people mistakenly assume Medicare will cover long-term care costs. While Medicare may pay for short-term skilled nursing facility care under specific conditions, it does not cover long-term custodial care or ongoing help with daily living activities.

In 2026, Medicare Part A covers skilled nursing facility care only after a qualifying inpatient hospital stay of at least three days. Medicare pays the full cost for the first 20 days of care per benefit period. For days 21-100, beneficiaries pay a daily coinsurance of **$217**, after which Medicare coverage ends and all remaining costs are the individual's responsibility. [8.9.]

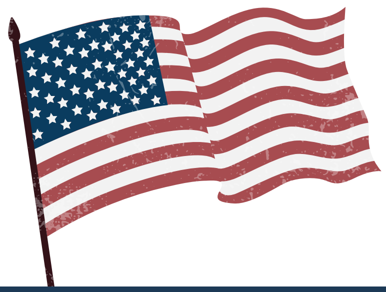
Because Medicare coverage is limited, some people look to **Medicaid**. Medicaid does cover long-term care for those who qualify, but eligibility requires meeting strict medical and financial rules. In most states, the individual asset limit is **$2,000**, although limits and exemptions vary by state. Certain assets, such as a primary residence, may be excluded from eligibility calculations if specific conditions are met. [10.11.]

Veterans Benefit

There is long-term care cost assistance available for veterans who served at least **90 days of active duty**, with **at least one day during a wartime period**. The Department of Veterans Affairs (VA) also offers long-term care benefits for eligible veterans who need help with activities of daily living.

Aid and Attendance (A&A) is an additional monthly pension benefit available to qualifying veterans and surviving spouses who require assistance with daily activities such as bathing, dressing, eating, or mobility. This VA benefit can help offset the cost of long-term care services, including care received at home, in assisted living facilities, or in nursing homes, for those who meet the service, medical, and financial eligibility requirements.

As of 2026, the Veterans Health Administration (VHA) operates the largest integrated health care system in the United States, providing care to more than 9 million enrolled Veterans across over 1,300 health care facilities, including 170 VA Medical Centers and more than 1,100 outpatient sites of varying complexity. [12.]



8. https://www.medicare.gov/coverage/skilled-nursing-facility-care as of 1.1.2026
9. https://www.federalregister.gov/documents/2025/11/19/2025-20249 as of 11.19.2025
10. https://www.medicaidlongtermcare.org/basics/what-are-considered-assets/ as of 12.27.2025
11. https://www.medicaidplanningassistance.org/medicaid-eligibility/ as of 1.10.2026
12. https://www.va.gov/health/ as of 1.1.2026

Paying with a Retirement Account

If a large portion of your nest egg is held in a qualified retirement plan such as a 401(k) or traditional IRA, you may consider using those funds to help pay for long-term care.

Keep in mind that withdrawals from a traditional 401(k) or IRA are generally taxable as ordinary income. Using these accounts to cover long-term care expenses can increase your tax burden and deplete your retirement savings more quickly than planned. This approach may also affect your estate plan if you intend to leave retirement assets to heirs.

One potential strategy is converting some or all of these funds to a Roth account. Roth conversions are taxable at the time of conversion, but qualified withdrawals from a Roth IRA are generally tax-free. By using Roth assets to pay for long-term care, you can avoid triggering higher income taxes later if you need to withdraw large amounts to cover care expenses.

Planning is the Answer

There's no obvious one-size-fits-all answer for covering long-term care costs, which is why it's important to seek out professional advice tailored to your unique personal and financial situation.

What is obvious is that today's retirees need a plan and shouldn't assume they will never need long-term care.

It's important to figure out how to cover yourself and your spouse, protect your savings, anticipate your tax burden, and navigate the complexity of Medicare and Medicaid.

At Asset Strategy, we help retirees and pre-retirees decide how they can best pay for long-term care in the future, should they need it. The most important thing you can do is resolve to address the issue of these costs before you need long-term care.

Disclosures

Because investor situations and objectives vary this information is not intended to indicate suitability for any individual investor.

This is for informational purposes only, does not represent legal or tax advice does not indicate suitability for any particular investor, and does not constitute an offer to purchase or sell investments. Please consult the appropriate professional regarding your individual circumstance.

LTC Annuities are annuities with a long-term care rider. These hybrid long-term care insurance products, like traditional deferred annuities, provide future payments based on an initial lump-sum investment. Long-term care annuity benefits are a pool of money with a monthly benefit cap. Annuities grow with interest and a long-term care annuity can either be fixed or variable.

Fixed Annuities are long-term insurance contacts and there is a surrender charge imposed generally during the first 5 to 7 years that you own the annuity contract. Withdrawals prior to age 59-1/2 may result in a 10% IRS tax penalty, in addition to any ordinary income tax. Any guarantees of the annuity are backed by the financial strength of the underlying insurance company.

There are retirement account risks that could diminish investor returns, such as, but not limited to: low-interest rates, market volatility, withdrawal timing and sequence of returns risk, government policy uncertainty, and increased longevity. Prospective investors should perform their own due diligence carefully and review the “Risk Factors” section of any prospectus, private placement memorandum or offering circular before considering any investment.

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If you have any questions about long-term care,
feel free to reach out to our team.
Set up a 15-Minute Discovery Call at:
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