

Beyond Retirement Planning: Preparing for Long Term Care

Most people are aware of the importance of planning for retirement. Building financial stability in one's retirement years means accumulating sufficient assets and savings to maintain one's accustomed lifestyle. Many people, in order to determine the amount of money they will need to generate a retirement income stream, calculate their future needs using a percentage of their pre-retirement earnings. A general rule of thumb is that retirees will have an annual need of 60%-80% of their former incomes.

Ultimately, your accumulated retirement funds should be able to support your lifestyle goals. Such factors as where you hope to live, what activities or hobbies you plan to pursue, and the fulfillment of long-awaited expenditures or pursuits, often play a vital role in projecting future finances. However, many people do not consider their financial needs in the event they become incapable of taking care of themselves and need **long-term care (LTC)**. Although it is an unpleasant thought, it is quite likely that you or someone you love will eventually need physical or medical assistance.

When a person is unable to perform two out of six **activities of daily living (ADLs)**, assistance is typically considered necessary. ADLs involve eating, dressing, toileting, moving about the house, incontinence and bathing. With increased longevity, more and more seniors may find that they need long-term care. But who will pay for the services they will require? Many people incorrectly assume that **Medicare** and **Medicaid** cover long-term care. In truth, Medicare will generally only offer temporary assistance, and Medicaid, which varies by state, may require that you pay out of pocket and exhaust your assets in order to meet low income qualifications.

Sometimes parents assume their children will take care of them in their old age, and although children may well have the desire to do as much as they can, certain factors will need to be realistically considered. Will your children have the strength, time, and financial freedom to give you the care you need? Do they possess the medical training that may be needed? As you plan, it is important to consider your family medical history, evaluate your personal health risks, and honestly assess whether your children will be able to take care of you. Unless funding long-term care is incorporated into planning, far too many people will need to find alternative ways to receive care and pay medical bills. Remember, the only viable source of government aid requires you to spend down your assets to the point where you are impoverished according to state standards and are, therefore, eligible for public assistance.

To illustrate the challenges, here are some alternative methods of financing long-term care. While these resources are invaluable if no other options exist, they may not be preferable and could be avoided altogether with advance planning.

Personal Savings. This category includes accumulated wealth, such as retirement accounts or savings. If your funds are sufficient to cover the necessary expenses, then you may be ahead of the game. However, if you hope to bequeath assets to your heirs, this option could greatly affect your wishes.

Real Estate. If necessary, property can always be sold, but this is obviously a last resort. Real estate is a relatively illiquid asset, and forced sales can have negative financial and emotional consequences.

Cash Value Life Insurance. These policies offer cash values that can be tapped into during your lifetime. To do so requires either borrowing against the policy value or canceling the policy altogether. Tapping into a policy's equity will affect the amount that is paid to heirs and could have tax consequences. Additionally, if the policy is canceled, it may not be renewable.

Since the options listed above may be less than ideal, consider **long-term care (LTC) insurance**. Policies vary, but in general, they provide a daily, set amount of coverage that can be used in a number of ways. Should you come to need daily assistance, long-term care insurance can help cover the expenses of nursing homes, assisted living facilities, or even home health care. You may find this financial assistance offers you the freedom to remain independent and increases your options for care.

With long-term care insurance, you can minimize the financial risk of extended care and relieve the burden of uncertainty from family members. In fact, the government is so aware of the need for these policies that many federal employees are being offered the opportunity to purchase long-term care insurance. Furthermore, if you purchase a "qualified" policy, premium payments may be eligible for tax deductions.

Planning for retirement should not end after long-anticipated trips and adventures are scheduled or taken. Instead, in order to formulate a complete financial strategy, long-term care planning must be incorporated. Protect your entire future and that of your family, and prepare for the possibility of long-term care.