



# PLANNING FOR LONG-TERM CARE:

HOW TO MAKE SURE NURSING HOME  
EXPENSES DON'T BANKRUPT YOUR  
RETIREMENT



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## Message from the President

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**WILEY P. LONG III**

President, HSA *for* America

When doing their financial planning, one area many people neglect to think about is long-term care. Or, they don't think about it until they're over age 65, and the rates have skyrocketed.

One of the most important steps in our six-step Financial Planning Program is to have a plan for how you are going to pay for long-term care. Since 70% of people over 65 will need long-term care services at some point in their lives, this step is absolutely essential.

Long-term care needs occur when you need some assistance with daily living - like dressing, cooking, or bathing.

Medicare does not cover longterm care, and neither do Medicare supplement plans.

And long-term care is not cheap! With the average nursing home stay being 835 days, and the average cost being \$250/day, you're looking at over \$200,000 - for average care!

You deserve a retirement that is worry-free. One way to protect your dignity and avoid unnecessary worry and grief during your retirement is to protect yourself from long-term care expenses.

The price for long-term care insurance is locked in based on when you sign up. So if you are young and healthy, you will have MUCH lower rates than if you wait until later. If you wait until serious health problems appear, you may be unable to get coverage at all.

In this report, I provide a simple overview of the risks, and what you can do to mitigate those risks. This is an important step in your financial planning, and I commend you for taking the time to educate yourself.

If there are any questions we can answer, please let us know.

Sincerely,

Wiley Long

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# LONG-TERM CARE

You have worked hard your whole life. Now, the time for retirement has come, and you want to comfortably enjoy the golden years. Maybe you want to travel or play golf and do all the things you never had time for before. You should be able to do that and more.

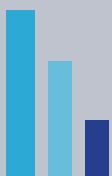
None of us plan for sickness, but it is a very real possibility you must consider. The easiest way to exhaust your savings or retirement funds is unexpected medical costs. To prepare for your future and the goals you have, it is essential that you have a clear plan for how you will deal with the possibility of long-term care expenses.

Are you unsure where to start and need a little guidance? This report explains in detail Step 4 of our 6-step Financial Planning Program.

This step is about making sure you have a plan for how you will pay for long-term medical expenses. Having clarity on how you manage this risk will give you great peace of mind during your retirement years.

**LTC is the care you need when you can no longer perform daily tasks such as:**

- transferring
- continence
- dressing
- toileting
- bathing
- eating



**70% of people who reach age 65 will need Long-Term Care services at some point in their lives**

# WHAT IS LONG-TERM CARE?

When you think of long-term care, a nursing home probably comes to mind. It is true—you might need assistance that only a nursing home can provide. However, that is not always the case. Long-term care happens when you need help with daily chores, too--bathing, getting dressed, or feeding yourself.

If you ever had some kind of cognitive impairment, chronic illness, or irreversible disease that demands daily care, long-term care insurance would step in to help cover your bills. According to the Department of Health and Human Services, approximately 70 percent of people over the age of 65 need long-term care at some time.



**The average annual cost of a nursing home stay typically runs from \$80,000 to \$100,000 or more depending on where you live.**

**These expenses can easily pile up in the blink of an eye. To put it into perspective, say you fall and break a hip. You need to be in a nursing home just long enough to recover, maybe 2 or 3 months. That could easily cost close to \$25,000, which will inflict a lot of damage to most people's financial plans.**

# WHO PAYS FOR LONG-TERM CARE?

Neither Medicare, Medicare Advantage, nor Medicare supplement plans pay for longterm care, so it is essential to plan for this possible expense.

If you have not made arrangements and do not have long-term care insurance, your family will have to pay the cost, and often, the high expenses can quickly drain finances dry. Unless you have a very substantial nest-egg, long-term care insurance is an absolute necessity to protect you and your family from potentially devastating expenses.

## MEDICARE DOES NOT COVER LONG-TERM CARE

Medicare is a government-funded program available for individuals over 65 and certain disabled people.

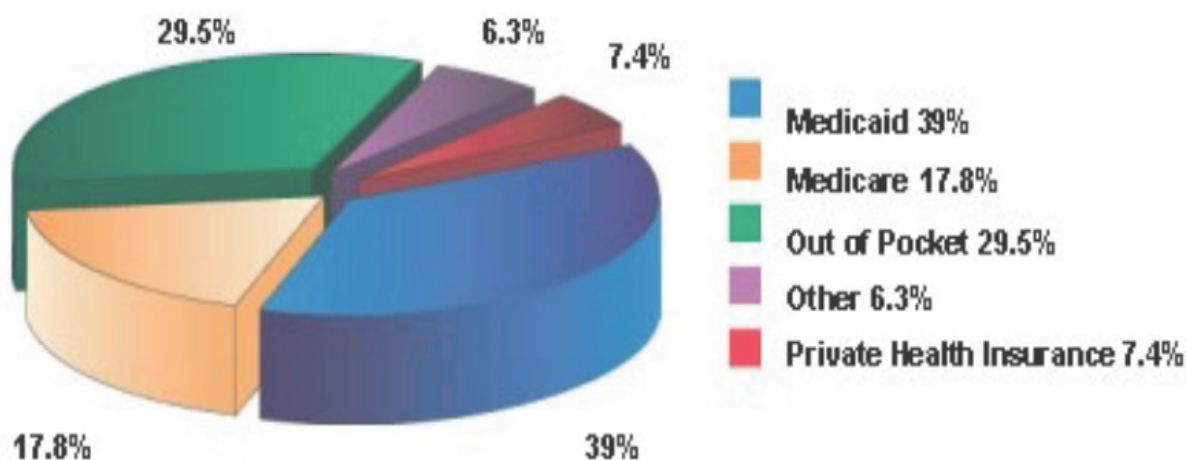
Medicare will cover some skilled nursing care expenses, but will not cover what is considered to be long-term care.

For example, say you get sick and need to be in a nursing home for a bit while you mend. According to their website, Medicare will fully cover just the first 20 days, and only if it is medically necessary. But because most nursing home care is for “custodial care” such as help with bathing or dressing, Medicare will not typically cover anything at all.

If Medicare considers your stay in a skilled nursing facility to be medically necessary, you will still have to pay, starting on day 21. If you spend anywhere between 21 to 100 days, you will have a co-pay of \$167.50 per day of each benefit period. After 100 days, you will have to pay all costs.

If you need assistance in home with daily activities, such as bathing, dressing, or using the restroom, Medicare will not cover the cost because they are not considered medical activities. For this assistance, you will have to pay out of pocket. This is where supplemental aid like long-term care insurance comes in to make the cost more bearable.

## WHO PAYS FOR NURSING HOME AND HEALTH CARE?



Source: Health Care Financing Administration,  
Department of Health and Human Services 2000

## WHAT DOES LONG-TERM INSURANCE COVER AND HOW DOES IT WORK?

Long-term care insurance will pay for care provided at your home, a nursing home, or an assisted living facility. For at-home care, most long-term care plans will pay for skilled nursing care, occupational, speech and physical therapies, and help with personal care, such as bathing and dressing.

There are two terms to know in order to understand how any long-term plan will work: "benefit triggers" and "elimination period".

Benefit triggers are conditions that must be met before you start receiving benefits. To start receiving benefits, you must need assistance with two or more activities of daily life (ADLs). These are activities such as bathing, eating, dressing, going to the restroom, and waking. Be sure that bathing is included because that is often the first to deteriorate.

The elimination period is the span between when you are deemed eligible for benefits to when you start receiving them. The elimination period can be up to 364 days. You decide before you buy the policy. The longer your elimination period is, the lower your monthly premium will be.



Pick a policy that requires only one elimination period, not one that requires an elimination period for every illness or new need.

With many policies, you stop paying the premium when you become eligible for benefits.

## WHY GET LONG-TERM INSURANCE?

- **YOUR ASSETS  
WILL BE  
PROTECTED**

Unexpected medical expenses can take away everything you have worked your whole life for. One bad diagnosis can lead to thousands of dollars in medical bills.

- **YOUR LOVED  
ONES WILL NOT  
HAVE TO  
SHOULDER THE  
BURDEN**

Often times, loved ones assume the role of caregivers. This is emotionally and financially draining for everyone involved. If you have long-term care insurance, options expand, and your loved ones can spend quality time with you instead of constantly worrying, and providing daily care.

- **HAVING  
LONG-TERM  
CARE INSURANCE  
WILL GIVE YOU  
MORE PEACE OF  
MIND**

You will get the care you need, without having to worry if you can afford it. Because you planned ahead, you won't have to set aside a chunk of money to cover this potential expense.



- **YOU WILL HAVE MORE CONTROL OVER THE HEALTH CARE YOU RECEIVE**

Since long-term care insurance is not Medicare, you will not have the same constraints. You will retain much more say in your treatment and options.

## WHEN SHOULD YOU GET LONG-TERM CARE INSURANCE?



This answer is easy. The sooner you get a long-term care plan, the less you will have to pay overall. The younger and healthier you are, the cheaper the policy will be, and your price will be locked in. These policies also tend to be more comprehensive when bought

when you are younger and healthier.

Get a policy by the time you turn 50 if possible, and definitely before you turn 65. Unfortunately, 44 percent of applicants ages 70 to 79 are rejected when applying for long-term insurance, so there is risk in putting off this investment.



Older persons with long-term care needs—65%—rely exclusively on family and friends to provide assistance

- U.S. Administration on Aging. (2000, Fall). *America's families care: A report on the needs of America's family caregivers.*

- United Nations

## WHAT SHOULD YOU CONSIDER WHEN SHOPPING FOR LONG-TERM CARE INSURANCE?



### BUY AS A COUPLE.

Insurance companies often offer discounts for couples who purchase insurance together. You could save up to 30 percent. Also, consider shared care. This allows you to share the benefits of each other's policies. For example, say a couple takes out \$100,000 each in long-term care insurance. Mr. Smith uses the total \$100,000 of his policy. If he needs it, he can use Mrs. Smith's benefits because they are married and have shared care.



### SHOP AROUND.

Research and find the best policy for you. You'll of course want to consider the benefits and limitations of the coverage, and the price. Also be sure to go with a financially strong company, since you may not actually use the coverage for many years.



### DON'T OVERINSURE.

Buying an expensive sports car because it is flashy and pretty does not necessarily make it a better car than a \$20,000 one. Right now, you are planning for the what-ifs. You do not want to pay too much for the coverage you need.



### DON'T BE LATE ON YOUR PREMIUM PAYMENTS.

Most policies will only provide a 31-day grace period after the premium is due before benefits would cease. If you do not pay within a certain period, your policy will lapse and you may not be able to restart it..



### CHECK FOR POSSIBLE TAX WRITE-OFFS.

If you have a qualifying long-term care insurance plan, you might be able to count a portion of the premium as a tax-deductible medical expense. Medical expenses are tax deductible up to the extent that they exceed 10 percent of your annual income if you are under 65, and 7.5 percent of your income if you are 65 or older.



### INCLUDE INFLATION PROTECTION.

Often, policies are purchased decades in advance. This add-on coverage guarantees the amount of coverage the beneficiary receives will stay consistent with inflation rates, increasing at predetermined amounts and times. A 3 to 5 percent compound inflation protection should keep your policy in sync with current health care costs.



### REVIEW YOUR POLICY YEARLY.

Things change. New options for your coverage might become available. New products might be introduced. It is always better to be informed and knowledgeable about something that affects your wellbeing. This is included automatically for our clients, in their Annual Comprehensive Policy Review.



### CONSULT AN EXPERT.

Long-term care insurance is overly complex, and choosing the right policy can be a confusing, frustrating experience. If you need help deciding, we have a long-term care expert on the team who can make it easy to compare plans and see what might work best for you.



## FINAL THOUGHTS?

### **SOME COVERAGE IS BETTER THAN NO COVERAGE.**

The bottom line is, long-term care insurance can cost tens of thousands of dollars, and if you have not prepared for this possibility, you will be forced to pay for these services and care, and you risk a major negative impact to your retirement savings.

Be smart, and take the necessary steps to ensure your future by getting long-term care insurance. This is an easy one to put off, but planning ahead will make things easier and less expensive than the alternative.







We Help You Keep More of Your Money in Your Pocket  
INSTEAD of the pockets of the Insurance Companies, the  
Hospitals, or the Government!

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