

Make long-term care an important part of your wealth plan

Trends highlight a growing need



Wealth
Management

By 2050, an estimated 27 to 30 million people will need long-term care support, according to the Pan American Health Organization.

Long-term care numbers

- The population over the age of 65 will double by 2050¹
- Over half of Americans turning 65 today will have a long-term care need for services, averaging \$266,000 per person for two years of self-care services²
- Medicaid is the dominant source of payment for long-term care costs³

Medicare generally does not pay for long-term nursing home care, but covers short-term care while one recovers from an illness or injury. With a detailed list of requirements that an applicant must fulfill before receiving limited coverage, Medicare is often not a viable option for long-term coverage.

As a welfare program, Medicaid isn't appropriate for many people either. It is designed to cover those who are unable to pay for their own medical care. In order to receive Medicaid benefits for nursing home care, patients are forced to "spend down" their assets to be considered impoverished.

However, much of the general population use Medicaid for health coverage, and since Medicaid is the second largest budget item for most states after education, many are looking at ways to reduce this financial pressure.

Washington state was the first state to establish a publicly financed long-term care program. Another 12 states are looking at similar legislation, including Alaska, California, Colorado, Hawaii, Illinois, Michigan, Missouri, Minnesota, New Mexico, Oregon, North Carolina, New York and Utah.⁴ And the federal government has also reviewed legislation proposing everything from credits for family caregivers to increasing payroll taxes to help pay for long-term care expenses through a Social Security trust fund.⁵

An important family discussion

Should the time come that you are in need of care, does your family know where you would like to receive your care? How do you feel about a family member providing you with

care, including bathing, dressing and transferring? It is also important to consider the consequences that needing care over a period of years could have on the legacy you want to leave your children or other intended beneficiaries.

Putting long-term care insurance first

One of the options to assist with costs associated with long-term care needs is a long-term care insurance policy. There are many different degrees of coverage from which to choose. You can tailor a plan that meets your needs by determining your benefit period, benefit amount, waiting period and several other options.

The decision to purchase long-term care insurance can be a difficult one, but rapid advances in medical treatments can mean people are living longer. And living a long life can create a greater likelihood of needing long-term care.

Individuals who have experienced the financial and emotional consequences of not having a plan

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¹ AARP Public Policy Institute: Across the United States: Profiles of Long-Term Care Services and Supports (August 2018).

² Melissa Favreault and Judith Dey, Long-Term Services and Supports for Older Americans: Risks and Financing, Research Brief, ASPE Issue Briefs (U.S. DHHS, February 2016).

³ Kirsten J. Colello, "Who Pays for Long-Term Services and Support?" In Focus Congressional Research Service (August 5, 2021).

⁴ "What's Next After Washington Cares Fund?" CLTC Presentation on September 29, 2021.

⁵ DBS Lifemark, "Why Addressing Long-Term Care is an Urgent Matter" Terri Getman, J.D., CLU, ChFC, RICP, AEP.

may seek to purchase long-term care benefits to help provide for their own or a loved one's care.

Discussions to have with your financial advisor include:

1. Having a policy that pays benefits only when a claim occurs, compared with policies that leave a death benefit or legacy for a beneficiary.
2. Would it be better to select an indemnity long-term care policy, which pays selected daily benefits when one qualifies, or a reimbursement policy, which

covers the actual costs of care through filing of receipts?

3. Which types of plans would best cover your family's anticipated health care needs while also considering overall costs for the plans?

We all face the risk of a large long-term care expense during retirement due to a change in health or cognitive decline. The actual risk is difficult to gauge and your personal tolerance for risk is important.

What is your level of willingness to subject your standard of living

and/or your legacy objectives to the risk of substantial long-term care spending shock?

Talk with your RBC Wealth Management financial advisor about your health care anticipated needs and wants so you can develop a plan for long-term care insurance coverage that addresses them. You've spent your life trying to build your assets. Now through long-term care insurance, we want to help you keep them.