

What is Long-Term Care?

When people consider the subject of long-term care, they often think about nursing homes. In fact, long-term care has little to do with nursing homes. Understanding the difference can help you protect your family and finances.

Long-term care encompasses the care, services, and housing you will need when you live a long life. Think you won't live a long life? Think back 25 years ago. If you had cancer or a stroke, you simply died. Few ever heard of Alzheimer's. Today it is the leading cause for long-term care services. The longer you live, the more likely you are to need care. The question is not who will take care of you, because your family will most often, but rather what providing that care will do to your family and finances.

Long-term care is defined as needing assistance with your activities of daily living (toileting, bathing, dressing, eating, getting in and out of the bed or chair, and maintaining continence). Another type of long-term care is the supervision that is needed for someone with severe memory loss.

If you need on-going, custodial care, chances are it will be delivered in the community, not in a nursing home. Every study conducted finds that care is overwhelmingly provided at home. The key question, of course, is who is going to pay for it?

Medicare, the primary health care program for retirees, pays only for skilled, medically oriented or rehabilitative care, not custodial care in any venue. Medicaid, a federal and state program for financially needy individuals will pay for custodial care, but primarily in nursing homes. Funding for home care and assisted living is very limited and based on availability of funds.

Veterans believe that the VA will pay for home care, adult day care or assisted living. As with Medicaid, funding is limited and generally based on service-related disability.

The result is that consumers are forced to pay privately for their care. Unfortunately, the best thought-out retirement plan rarely takes into consideration living a long life. Put another way, those assets and income have been allocated to pay for retirement, not for the consequences of living a long life. This results in the need to invade principal and divert income to pay for care. As a result, one of seniors' greatest fears - that of outliving their assets - literally may come true.

The use of long-term care insurance has become an important part of planning for disability resulting from living a long life. The coverage serves to both keep families together and allows your retirement portfolio to be used for the purpose for which it was intended, namely retirement.

From a family perspective, think about who will be providing your care. Chances are your children will play a key role. Long-term care insurance doesn't replace the need for family involvement in providing care but rather builds on it. It pays professionals to assist the person with the toughest tasks such as toileting, bathing, feeding and continence. This, in turn, allows the family to provide care better and longer at home.

The options for paying for an extended health care need at any age are limited to self-funding, Medicaid (for those who are impoverished), and long-term care insurance. Each of these options is appropriate for certain people in certain circumstances. None of these is right for everyone. It is important to make an informed decision, in advance, as to how best fund an extended health care need and then to communicate that decision to your family. The emotional challenges of a health care crisis are easier to handle when the financial challenges have already been addressed.

Talk to one of our advisor's or Laureen Smith, CLTC® in our office who is certified as a Long-Term Care Specialist, to come up with a plan that meets your needs. Laureen can be reached directly at lsmith@commoncentsplanning.com or call our office at 610-361-0865.