

Long Term Planning

By Kate McCarthy

It can be scary for today's aging to consider the future. The cost of care, whether it be bringing in assistance at home, moving into an assisted living facility or the health care costs of a nursing home, is overwhelmingly expensive. Most everyone understands the need to plan for retirement but few people really understand the cost of long-term care.

There are many reasons people avoid thinking about needing care in the future. It is natural for all of us to sidestep dealing especially when means having to picture ourselves in a position of needing major health care or daily assistance. Yet the fact is that the majority of aging citizens in the USA today will need long term care during their care years. Many Boomers are glossing over this fact and not realistically factoring costs as they plan for the future. Here are some facts about health and long term care costs:



Plan the future and the costs of care.

- Most Boomers think they will only need about \$50,000 to pay for their health care during retirement.

Medicare does pay for health care. Most dual income couples turning 65 in 2020 can expect about \$499,000 in Medicare benefits. Yet that is not usually enough. The current estimates show that a couple turning 65 today will pay, on average, an additional \$220,000 out of pocket medical expenses before they die. These costs include premiums, co-pays and deductibles for medical care. In addition to the health care costs, two-thirds of those over 65 will also pay about \$50,000 per spouse for long-term care needs, such as nursing home care, assisted living or professional assistance at home.

Do the math. Putting aside \$50,000 for health care during the care years is just a drop in the bucket compared to what could be needed. The Employee Benefit Research Institute estimates that a couple who has put aside \$165,000 by the age of 65 will have a 50% chance of affording their lifetime medical costs. Those who put aside \$225,000 have a 75% chance of being able to cover their medical costs.

Right now the best scenario for Boomers turning 65 is having \$300,000 saved per couple to cover health care needs for the future. According to the Census Bureau the median net worth of the average couple at 65 is nowhere near that.

- Most Boomers believe that Medicare will pay for their long-term support and services.

Medicare does not cover long-term support and service costs. So costs for elderly housing, long term nursing care, assisted living, or Caregiver support at home will be out of pocket expenses.

Most Boomers fail to factor in how the costs of long-term support can drain saved wealth. A long stay in a nursing home, the need to move to an assisted living facility or the long term use of home health aides can diminish savings very quickly. For instance, the average household wealth of \$120,000 can be reduced by half with just a six month stay in a nursing home. Most males over 65 will require about 2 years of long-term supports and services and most females require 3 years during their lifetimes, so these costs are important to factor into financial planning.

- Most Boomers don't think they need Long-Term Care Insurance. Again thinking they can rely on Medicare and their health insurance, most Boomers try to avoid the additional expense of another insurance policy. What isn't clearly understood is that Medicare long term benefits often only cover the first 100 days of care, and in most cases the reason for the health care must be serious enough to warrant a 3 day stay in the hospital before Medicare even kicks in. Health insurance can also be very limited as far as long term coverage. Another common misconception is that if it all gets too expensive the Boomer can just go on Medicaid. Medicaid is an entitlement program and is only for people who have very limited assets. To qualify for Medicaid means spending down all assets to get to poverty level. Most Boomers don't realize that owning a house or car will completely disqualify them from this program.

The cost of care for today's aging can be intimidating and overwhelming. Careful and creative financial planning can make long term care a bit less scary. Today's Boomers need to actively start looking into long term insurance as well as reassess their financial plans for their retirement years.



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