Your Future, Your Choice: Planning For Long-Term Care

Hi everybody. It's Jennifer Landon.

I hope that you have been enjoying our series, Slice of Advice.

It is my pleasure to be your host today, and we're going to talk about our monthly topic: long-term care, what it is, what it is not, and what you need to know, and how you can prepare your portfolio to handle these risks.

We introduced this subject at the beginning of the year, and honestly, we've had such an extreme response that we wanted to make sure we made this information available to everyone.

My intent is that I can give you some really good, tactical information in less than 20 minutes along the lines of long-term care and long-term care planning today. So let's jump in here.

Anybody who knows me and knows me well knows that it doesn't take a lot of convincing to get me to talk about either baseball, sports, or my children, so you're going to indulge me today, and I'm going to start by doing some of those things.

So let's pretend like we are a batter and we're stepping into the box, and if you know baseball well, you know that a pitcher is going to try and establish their fastball right out the gate, right? So you're sitting in the batter's box, and you're waiting for that fastball. You've been watching this pitcher warm up, and you instead get thrown a curveball.

You're not wrong. That's my boy, and that's him throwing a couple curveballs to a batter who was in fact expecting a fastball. Colby Landon here was kind of known for his fastball, so you step in the box and you get a curveball.

Life is like that, isn't it? Sometimes you're expecting your fastball, and you're prepared for your fastball. You've been waiting for it. You've been looking for it. And then you get a curveball.

We don't want you to have a curveball come your way that you're not prepared for. Long-term care is one of those that we wanted to bring some attention to, bring some light to. So what the heck is it? Let's start there.

First off, it is needing assistance with activities that all of us do every single day. Sometimes it's called custodial care, long-term care, extended care. Basically there are five activities of daily living, which we'll talk about here in a little while, that if you need help with two of the five activities of daily living, then technically you're in a position where you could benefit from long-term care.

Now, what it's not is it's not primarily nursing home care. Is that a function of a good long-term care plan? Yes, it could cover nursing home care and nursing home costs, but it's not just isolated to those needs. It can also cover home health care, adult day care, facility care, informal care, and a lot of different other ways of receiving help in the activities of daily living.

So the six activities of daily living are bathing, eating, dressing, transferring, toileting, and continence.

We're going to attach a worksheet for you to just give some thought to a couple of these activities, right? And I want you to think about it like this: how many of these activities are you willing to allow your spouse or your children to do for you, and how many of these activities are you willing to do for your spouse or for someone that you care about and love?

So for example, here's the list, and again, we'll have this attachment on this email: bathing, dressing, grooming, oral care, toileting, transferring, walking, climbing stairs, eating, household chores, maintaining finances, and cooking.

I'd be glad to let somebody help me with my household chores personally.

Now of course, most of you, I know you well, most of you would be happy to do these activities or to help your spouse with these activities if they were needed. But consider how many of these activities would you allow your spouse or your children to help you with? How many of them would you want them to help you with besides the daily chores, of course? Right?

So bathing, dressing, grooming, oral care, toileting, transferring, walking, climbing stairs, eating, household chores, driving, managing finances, and cooking.

Just reflect on that for a minute, and if you're the type of person who's extremely independent like I am and would have difficulty accepting care from somebody that you love in that regard, then this is a conversation for you, and let's come up with some ways to hedge against that risk.

It's funny, because most of us will acknowledge that these are very real risks to other people, but nobody really truly believes that it's going to happen to me, right? But let's talk about this. What are your beliefs around long-term care? Do you think that you're going to need it? If so, how much of it do you think you're going to need, and how long could you possibly need it? What are the odds?

Now, these are just statistics, right? If you're fortunate enough to live past the age of 65, your chances of needing some form of assistance with those activities of daily living, any type of long-term care assistance, are 70%. What do you think of those odds?

So it's funny because everybody says, “Okay, 70%, that's a lot of people, but I am not one of those people who will end up needing it.” And I'm saying, “Hey, let's have a conversation just in case.”

The average length of long-term care needs for a male is 2.2 years. The average length of long-term care needed for women is typically 3.7 years. And if any of us are in need of help because of cognitive impairment, long-term care needs after Alzheimer's diagnosis, for example, or dementia, is on average eight years.

So we've talked about the statistics, how many people are actually going to end up needing it. If you're planning on living a very long life like me, the chances of you needing it are going up. The likelihood of it being just a short window of time that you need it, we've talked about the average length of time that somebody could need that type of assistance, and it could be anywhere between two years and eight years, and those are averages, which means that there's going to be plenty of outliers on both ends of that spectrum.

Okay, now let's talk about what it costs.

Now, a lot of people say, “Hey, you know what? I've saved up my money for a very long time. I want to continue to save my money to help hedge against these risks,” and that's great. But let's have a conversation about what those costs could look like.

We are fortunate to have clients all across the country, so we have national averages for all of you, and then we also have some local averages for the people here in our local area that think that the averages here are wildly different than what they are on a national scale.

So on the national average, informal care will cost $72,000 a year. Forty hours of home care would cost $66,000 per year. Assisted living at $67,000 per year, and nursing home care at $109,000 per year, depending on the level of need, would dictate where you fell on that spectrum.

Now, if you're here locally, informal care could cost about $62,000 a year, home care $74,000, and you can see in some instances with assisted living, for example, currently it's a little less than what the national average is. But with nursing home care, $141,000 per year in comparison to the national average at $109,000. So let that sink in a little bit.

So if we know that we have a couple of years per person, and if you're married, the likelihood is that one of you is going to need some care in any way, shape, or form, then of course these costs would be multiplied.

Let's talk about why this is important to you when you're considering your retirement planning and why it could be important to hedge against these risks.

You know, we oftentimes hear people say, “I'm saving my money. I don't want to spend my money because I want to make sure that I have plenty of money there if I end up needing it for healthcare.” That's great, and that's a noble and worthy pursuit. But what I am suggesting is maybe having a plan for that sooner than later could benefit you, and it could certainly benefit your spouse and your family.

Knowing that you have a plan for that can give you the freedom to live your life with less worry and to go out and enjoy those life experiences knowing that you don't have to save for all of this unknown, that the unknown already has a plan in place, specifically around the potential needs and costs of long-term care.

So you could pay for it yourself. A lot of people choose to self-insure, and that's great. If you want to self-insure, I have no problem with it. But I am letting you know that a client of ours with a threat like this, it is our job to bring this to light, to have these conversations with you, and to make sure that you're aware. And then if you choose to self-insure, then that is fine.

So you could pay for it all out of your income, and a lot of you would have the ability to do that. We would just want to run some analysis and make sure that we have a plan. If that were to happen, where would that income come from, and how would it impact you and your spouse?

One of the things I think that's very notable here is especially to those clients of ours who are married, if you end up needing care or your spouse ends up needing care, it's not just you that's impacted, obviously, right? We also want to make sure that there's plenty of assets for the stay-at-home healthy spouse to live out the rest of their life without worrying about money and being able to do all the things that they wanted to do in their retirement as well.

So I think that these risks are compounded even more when you're married because it's not just you that's impacted. And that's obvious, and I know you know that, but I just want to make sure that you know that I know that. And I think that in those situations, it's even more important to have these conversations.

And other people say, “You know what? I don't necessarily want to pay for it out of my income, but I have assets. I have plenty of assets that can pay for that.” And that very well could be true, but again, I think it's worth having some conversation.

Let's go ahead and jump in here and talk about what the costs are expected to do in the future.

As you know, baby boomers have shaped every single stage of their lives, and they will continue to do so throughout retirement. And if you understand just basic economic principles of supply and demand, you also understand that the more people that we have progressing to these needs, the more expensive these benefits can cost.

And we've already started to see this trend line increase in recent years. The average nursing home cost in 2025 was $109,000. Now, believe it or not, it is projected to have a 100% increase by the year 2045. So we're anticipating the cost for this level of care in 2045 could be projected to $218,000 per year.

So what are the impacts on your families?

Every single one of us knows a family that has been impacted, and most likely it's our own, by somebody that we care about needing help with these types of activities.

What are the emotional impacts? What are the physical challenges that it could put on somebody to have to care for an aging parent or spouse? What are the financial impacts? I know people who have had to walk away from their career in order to be more present to take care of an aging parent. And what does that do to their families with their children and their ability to spend time with their children and grandchildren? It's definitely limited if most of their time and energy and resources are going to help take care of an aging parent.

What are the emotional impacts? What are the physical challenges? What are the lifestyle changes that would have to be made? What are the costs of not having a plan?

Adult siblings, tension, resentment can happen with how they believe that the parent should be taken care of. Siblings who live nearer to parents tend to carry a lot more of the weight and get that friendly feedback from siblings who live further away. It's not always welcomed or appreciated when that feedback comes in, I've noticed.

Anyway, you get it. There's emotional impacts, there's physical impacts. Twenty percent of caregivers say that their caregiver responsibilities have limited their career growth and their job opportunities. Forty-seven percent of caregivers have experienced increases in anxiety, depression, and mental health issues, and fifty percent of caregivers report living paycheck to paycheck.

So only wanting to point out the ripple effects that can be on a family when they need to help take care of these needs for somebody that they care about and they love and they really want to help.

So what do you do?

When we're talking about insurance, always insurance is a transfer of risk, right? So when we're going to bring up one way to hedge against this risk, it is with a traditional long-term care insurance policy. They've been around, I'm not going to say forever, but they've been around a long time, about twenty-five years, and all of us have this predisposition on what they are, what they look like, how inflexible they are, how expensive they are, and in many cases, those perceptions are justified.

So traditional long-term care is an option, and if you are fortunate enough to have a plan already, fantastic. I know a lot of my clients who have ended up needing care were so grateful that they had taken some effort to invest in some of these policies.

But let's consider the challenges with these policies. They'll only pay out benefit if you end up needing care, right? Just like your auto insurance and your home insurance, this type of coverage is a use-it-or-lose-it plan, meaning that we hope we never need it. Just like my home insurance, I hope I pay for it and I never need it. I hope that I pay for my car insurance and never need it. And this is the same kind of thing.

It's not like there's this benefit that is available to your family because you've been putting money aside in this product all of these years, that if you end up not needing it, it goes to them, right? This is not what that is for.

So this is not our favorite way to hedge against this risk. It is a way to hedge against this risk, but what I wanted you to know is it's not the only way to hedge against some of these concerns.

There's two other ways that we can do it. There are some strategies out there. We call them asset-backed plans, and almost all of these other two options are on either the chassis of a life insurance policy or an annuity policy of some sort. But they have been designed to help give people flexibility around these needs around nursing home care.

So in order to have an intelligent conversation with you today, I ran some current examples of what's out there that might just enlighten us on some of the ways that you can hedge against these risks.

So let's talk about the asset-backed plans first.

There are plans out there that are basically life insurance policies that you put money into, that if you ended up needing nursing home care, you could use that death benefit ahead of time to help pay for your care.

There are some really interesting ways that you can go about this. You can even use funds from IRAs and structure a plan to use your qualified money or your IRA assets to help fund this need for both you and your spouse moving forward.

One of the benefits to a plan like this is if you ended up living your life without needing any nursing home care, then of course the benefits could pass on to your children tax-free. And also there's a rate of return that's given to your money while it's in that plan.

So there's some death benefits that are associated with it. There's some monthly benefits that could be used for nursing home care, and honestly, the products that I pulled were surprisingly good.

So if you have a little bit more heavy hand inside of your retirement accounts than what you think you're going to end up needing, we could take any amount really of that retirement account, put it over into an account that has a fixed guaranteed rate of return, and use leverage to your benefit to give you an increased pool of money that can be used to fund nursing home care for not just you, but for you and your spouse.

So that's one way to go about it.

Let's talk about some other hybrid strategies using an annuity chassis. There are some with very short underwriting requirements, meaning that most people would be able to qualify, and of course, they have different levels. But if you qualified for preferred rates with a very short underwriting checklist, then you could, in this example, take some money and get a multiplier effect for a pool of money that could be used to offset nursing home care.

So this is best for people who have funds like savings accounts that are quite heavy that you're not planning on using, non-qualified assets, essentially old annuity contracts or life insurance contracts, and you want to use something like that to help fund this.

The example that I ran was with $150,000. It's just a number. It could be any number, but what it would do is it would give a three-times multiplier in order to use that as a benefit pool for both you and for your spouse. It would grow at three percent per year. If you end up not needing it, it passes to your children. The benefits from the policies can be tax-free. You can put inflation riders on them to help cover the cost of inflation as care costs go up.

So I actually ran three different scenarios: one that could be used for sideline cash or sideline brokerage accounts that could be utilized to help get some leveraged benefits for long-term care planning, with some set rates of return; some that could use IRA funds; and some that could be funded monthly.

So the bottom line is there's so many different options out there, and what's best for you might be different than what's best for someone else. And I just wanted to bring awareness to the fact that there are a lot of different ways to meet these needs, and what's best for you, one way or the other, even if it's self-insured, I think we need to have the conversation.

So I just wanted to put some light on these topics for you today, and I hope that you found some benefit and some use.

When this is brought up by some of my team members, please know it is because we are trying to do our best to serve you for your life, for your spouse's life, for your family's life. We're trying to look out for you at some of those curveballs and help you prepare. That's our job.

So with that being said, we're really glad that you have taken time to spend with us today. We hope that you found some value in this.

We have some upcoming events that you can look forward to. Our next Slice is on the Art of Aging Well. And for all of our local friends, we have our Shred Day coming up in May, so you can mark your calendar for that as well.

Visit our website for a full list of some of the topics that we'll be discussing through our Slice of Advice series.

And with that, I will let you get back to your day, and I have fully enjoyed our time together. Have a great rest of your day.

We'll talk soon. Thanks. Bye.