

Simply
Speaking
long-term care

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Dear Reader

You may have wondered if you will need long-term care protection, or why it might be a crucial part of your retirement planning process. You may not fully understand what qualifies as long-term care, how much it costs, or how long you may need it.

Planning for retirement today is more complex than it has ever been. Retirees face unpredictable equity markets and a low interest rate environment, as well as the potential of a much longer retirement — maybe 30 years or more.

While the benefits of a longer retirement are plentiful, financial challenges become that much more possible the longer we live. As the cost of living rises and lifetime income needs become more demanding, many retirees fear

running out of money. Aging can compound this fear, since most of us experience additional health issues as we get older.

For many people, health issues — or even a singular, sometimes sudden, event — can result in the need for long-term care. Without proper planning, paying for long-term care can potentially wipe out a lifetime's worth of retirement savings very quickly.

In simple, straightforward language, this guide is designed to answer common questions about long-term care — what it is, who needs it, and how to plan for it — to help you decide whether you should incorporate long-term care protection into your retirement strategy.



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you may be wondering...

What is long-term care?

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Long-term care includes a range of support services you may need if you can no longer perform everyday tasks. Long-term care is not just medical care, but includes assistance with the basic personal tasks of everyday life, called Activities of Daily Living (ADLs). The inability to perform these tasks can happen at any age and for any length of time. Long-term care does not necessarily mean “end of life” care. In addition, long-term care can include assistance you might need in the event of a cognitive impairment, such as Alzheimer’s disease.¹

What you need to know:

You may think of long-term care strictly as nursing home care, and assume you may only need it toward the end of your life. This is not true. There are many reasons why a person may need long-term care, with old age being just one of them. Other reasons include sudden illness or injury, rehabilitation from surgery, or recovery from a heart attack or stroke, for example. There are also many places to receive long-term care, including in your own home, adult day care centers, assisted living facilities and nursing homes.

It is important to remember that long-term care is typically needed when you are unable to perform at least two of the six Activities of Daily Living, listed below. There are a number of reasons why you may not be able to perform these tasks, including, cognitive impairment, aging, an accident, surgery, or other temporary health issue.

- Bathing
- Dressing
- Using the toilet
- Eating
- Getting in or out of a chair or bed
- Managing your bowel or bladder

Some common long-term care services include assistance with everyday tasks, such as:

- Housework
- Physical therapy following an injury
- Taking medication
- Preparing and cleaning up after meals

Seven in ten people older than age 65 will need long-term care services at some point.² This could be due to disease, dementia, lack of mobility or an accident – which could occur at any age.

¹ "What is long-term care and who needs it?," The Federal Long Term Care Insurance Program, https://www.ltcfeds.com/start/aboutltc_what.html, as of August 4, 2014.

² "Who needs care?," U.S. Department of Health and Human Services, <http://longtermcare.gov/the-basics/who-needs-care>, as of August 8, 2014.

you may be wondering...

What is long-term care planning?

Simply **Speaking**

Long-term care planning involves advance preparation for any care you may need as you age, or in the event of an accident or illness. This can include documenting your medical and financial wishes, appointing a health care decision maker, completing necessary legal papers and purchasing an insurance product to help cover your long-term care expenses.

What you need to know:

Establishing a long-term care plan will not only help you, but it will help your family in the event they must make decisions with, or for, you if you become unable to perform the Activities of Daily Living. Letting them know how you'd like to handle sickness or disability can spare them from making difficult decisions on your behalf at a stressful time. A long-term care plan involves documenting how you'd like to handle your affairs in the event that care is needed, as well as how you plan to pay for it.

It is a good idea to consult with experts when starting your long-term care planning. Your financial planner and an elder-care attorney are two excellent resources for any questions or concerns. Some considerations you may discuss include:

- Do I want a living will?
- Who will be my power of attorney?
- Should I appoint a health care proxy?
- What are my options regarding Medicaid?
- Should I put my assets into a trust?
- Should I be worried about inheritance tax, income or estate planning?
- Should I buy long-term care insurance, a life insurance policy with a long-term care rider, or an annuity with a long-term care rider?

Whatever you decide is best for you, be sure to document all of your decisions, discuss them with your family, and complete the necessary legal paperwork to ensure your wishes will be carried out in an appropriate manner.

you may be wondering...

How much does
long-term care cost?

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The cost of long-term care will vary depending on where you live, where you receive care (e.g., at home, nursing home), the length of time you receive care, and other needs specific to your situation. Many of these factors remain unknown until the time you need care, making it difficult to calculate the exact cost. The fact is, however, that long-term care is expensive, with costs continuing to rise every year. Preparing for the unknown with an appropriate insurance product is one way to help safeguard your future.

What you need to know:

Since it is difficult for most people to know whether they will need long-term care, estimating how much it will ultimately cost and putting together a financial plan to cover the expense can be challenging. But 70% of people age 65 and older will need some form of long-term care in their lifetime. Regardless of your age, researching costs now can help you determine how to best approach the future.

According to the U.S. Department of Health and Human Services, average costs of some long-term care services include:¹

- **\$205 per day or \$6,235 per month** for a semi-private room in a nursing home
- **\$229 per day or \$6,965 per month** for a private room in a nursing home
- **\$3,293 per month** for care in an assisted living facility (for a one-bedroom unit)
- **\$21 per hour** for a home health aide
- **\$19 per hour** for homemaker services
- **\$67 per day** for services in an adult day health care center

The cost can also be affected by factors, such as:

- **Location** – Certain areas of the country are more expensive
- **Time of day** – Evenings tend to be more expensive
- **Day of the year** – Weekend and holiday visits can increase the price
- **Extra services** – Anything beyond basic housekeeping, room and board
- **Variable rates** – Some facilities may offer a “per day” rate

¹ “Cost of care,” U.S. Department of Health and Human Services, <http://longtermcare.gov/costs-how-to-pay/costs-of-care>, as of August 11, 2014.

you may be wondering...

Won't my savings
or other insurance
pay for my long-
term care?

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Some people assume they will be able to pay for any long-term care expenses with their savings, or that health or disability insurance will cover the cost. Others think that Medicare and Medicaid will pay for it. While each of these elements may play a role in retirement and long-term planning, none is an appropriate financial strategy for long-term care on its own.

What you need to know:

The methods described below are, on their own, typically not adequate financial vehicles when it comes to paying for long-term care.

Savings

It will likely be a challenge for most people to save enough throughout their lifetime to support their financial obligations in retirement *and* pay for long-term care. If you are worried about outliving your retirement savings without having accounted for the costs associated with long-term care needs, you may want to consider adding a long-term care insurance component to your retirement strategy.

Health or Disability Insurance

Health and/or disability insurance will not fully cover the costs of long-term care. Health insurance helps pay for medical costs, while disability insurance replaces a portion of your income in the event you become disabled and cannot work.

Health insurance typically covers skilled nursing home care following hospitalization, but for no more than 100 days, and medically necessary home care.¹ Health insurance does not cover adult day care or assisted living arrangements. Disability insurance generally does not provide any benefits to those older than 65, which is when you would most likely need long-term care.

Medicare/Medicaid

Medicare covers only medically necessary care. It does not cover the care you may need if you are unable to perform the Activities of Daily Living (ADLs). Medicare focuses on things like doctor visits and medication, as well as care for illnesses that are expected to improve over time. In addition, you must be at least age 65 to qualify for benefits.

Medicaid covers medically necessary care, long-term care services in nursing homes and those provided at home, as well as personal care required to perform ADLs. Medicaid eligibility and services vary by state, so it is important to research the laws where you live. In addition, Medicaid is meant to help low income individuals with medical expenses, which means personal assets cannot exceed a certain amount in order to qualify. You may have to “spend down” a majority of your savings before being eligible for Medicaid benefits.

¹ “What is covered by health and disability insurance?,” U.S. Department of Health and Human Services, <http://longtermcare.gov/costs-how-to-pay/what-is-covered-by-health-disability-insurance>, as of August 12, 2014.

you may be wondering...

How do I pay for
long-term care?

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A good way to pay for long-term care is through an asset designed to provide financial protection from the burden of long-term care costs. Options include long-term care insurance and annuities offering additional long-term care benefits.

What you need to know:

Long-Term Care Insurance

Long-term care insurance pays for the cost of assistance with the Activities of Daily Living, including bathing, eating and getting dressed. This type of insurance policy may cover services in your home, a nursing home, assisted living facility, adult day care, and hospice. These policies often also cover respite care, which is temporary care intended to provide time off for your main caregiver.¹ While the policy you choose will dictate your coverage, many policies also cover rehabilitation services and skilled nursing care.

Annuity Benefits

As of January 1, 2010, the Pension Protection Act (PPA) allows for tax-free withdrawals from a PPA-compliant annuity to pay for qualified long-term care expenses, allowing for more tax-efficient use of your annuity savings in the event of a long-term care need. Some annuity contracts may take this further by enhancing the value available when used for long-term care needs. Typically, any remaining value of the annuity can be passed as a death benefit as well, so your money is not lost if you don't use it.



¹ "What long-term care insurance covers," U.S. Department of Health and Human Services, <http://longtermcare.gov/costs-how-to-pay/what-is-long-term-care-insurance/what-long-term-care-insurance-covers>, as of August 12, 2014.

you may be wondering...

I'm young and healthy. Why should I plan for long-term care expenses now?

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Planning ahead is the most effective way to address possible long-term care needs. As you age and health issues arise, your options for protection are likely to be fewer and more expensive than if you plan earlier.

What you need to know:

There are many reasons why people may wait to buy long-term care insurance: they feel it's unnecessary for a younger person, they don't imagine themselves ever needing long-term care, or they think they won't be able to afford it.

In fact, the American Association for Long-Term Care Insurance reports that the majority of new long-term care insurance applicants (54%) in 2012 were age 55-64.¹ Less than 1% of applicants were 35 or younger. But waiting to buy this insurance will cost you more.

When you are younger and generally in good health, you can more easily qualify for insurance with a lower premium. Not to mention that adding long-term care insurance to your retirement strategy sooner is generally less expensive than paying for long-term care out of pocket later.

Some factors that may affect the cost of a long-term care protection include:²

- Age
- Lifestyle
- Health
- Marital status

Knowing that you have coverage for long-term care services should also help you to feel confident about your future. There are several reasons to find comfort in your decision to purchase long-term care insurance, including:

- **Control and quality of care** – Planning ahead allows for greater freedom in your choice of care options at the time of need
- **Independence** – You will not have to rely on your children or other family members to provide care
- **Asset protection** – Helps increase the likelihood that your personal savings and assets will not be depleted paying for long-term care expenses

¹ American Association for Long-Term Care Insurance, 2014 LTCi Sourcebook. Policy data is based on 2012 applicants for individual policies.

² "Consumer Guide to Long Term Care," National Association of Health Underwriters, <http://www.nahu.org/consumer/LongTermCareGuide.cfm>, as of August 12, 2014.

you may be wondering...

Do I lose my
entire premium
if I buy long-
term care
insurance and
do not use it?

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Yes, typically money you have paid into a traditional long-term care insurance policy is lost if you do not need to collect benefits from the policy. If this is a concern for you, an alternative strategy could be beneficial. For instance, an annuity will pass any remaining contract value directly to your named beneficiary as a death benefit. Similarly, a life insurance policy with a long-term care benefit provides traditional life insurance coverage along with a safety net for long-term care expenses.

What you need to know:

Many people don't want to purchase traditional long-term care insurance because they are hesitant to pay for something they may never need. But the chances of needing some form of care are high,¹ and long-term costs continue to rise. Developing a plan for dealing with this potential expense is important.

Hybrid, or combination, products typically offer benefits for long-term care, along with the benefits of an annuity or life insurance policy, for instance. This way, if you don't need the long-term care benefits, you still have annuity or life insurance benefits remaining.

You should always discuss the pros and cons of purchasing such a policy with an insurance and financial professional.



¹ "Who needs care?," U.S. Department of Health and Human Services, <http://longtermcare.gov/the-basics/who-needs-care>, as of August 8, 2014.

you may be wondering...

What type of long-term care protection should I buy?

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This is a personal decision and one that you should make in consultation with your spouse, family and financial professional.

What you need to know:

Be sure to talk with your financial professional to learn about the different types of protection available to you, how you may qualify for them, the pros and cons of each, and where you may purchase them. Generally, individuals can purchase policies on their own, with a spouse, or through an employer, professional organization, or state partnership.



For your consideration

Long-term care planning can begin at any age, but if you are in - or approaching - retirement, now is a good time to begin discussing this topic with your spouse, family and insurance professional.

As you age, the probability of needing long-term care rises, but a singular event could also result in the need for the care before you even turn 65. Unprepared, many people could find themselves financially devastated, without any retirement savings available to sustain a comfortable lifestyle once they stop working.

Consulting with your financial professional to discuss the options most suitable for your needs, budget and lifestyle is a good first step toward creating an overall retirement and long-term care plan to carry you into the future.



Additional Resources:

Long-term care planning can begin at any age, but if you are in — or approaching — retirement, now is a good time to begin discussing this topic with your spouse, family and financial professional.

Administration on Aging
www.aoa.gov

American Council of Life Insurers
www.acli.com

Global Atlantic Financial Group
www.globalatlantic.com

National Council on Aging
www.ncoa.org

U.S. Department of Health and Human Services

Global Atlantic Financial Group

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Global Atlantic was founded at Goldman Sachs in 2004 and separated as an independent company in 2013. Its success is driven by a unique heritage that combines deep product and distribution knowledge with insightful investment and risk management, alongside a strong financial foundation.





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Not a bank deposit	Not FDIC/NCUA insured	Not insured by any federal government agency	No bank guarantee	May lose value	Not a condition of any banking activity
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