

Planning for Long-Term Health Care



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Are you ready for what the future may bring?

It's the unspeakable. We all know about saving for retirement, but how many of us plan for when we — or our parents — can no longer take care of ourselves?

While many of us have concerns about health as we age, or we watch our parents age, most of us simply do not want to think about the issue. Few of us are planning for the eventual need for long-term health care.

Many financial planners believe that Americans are not financially prepared to deal with the issue of long-term health care.

We're all living longer — yet living longer does not necessarily mean living in perfect health. And the costs of long-term health care — both financial and personal — can be high.

Just thinking about the need for long-term health care raises a myriad of potentially disturbing questions:

- Who will make decisions about my care when I am unable?
- How can I make sure I'm not a financial burden to my family?
- How can I take care of my aging parents?
- What options are available to me and to my parents for long-term health care?

Everyone needs to consider these questions... **before the need arises**. Proper planning and open discussion among family members can promote effective financial planning, ensure that the best alternatives for care are chosen, confirm that everyone understands a plan of action, and help loved ones avoid being caught unprepared.

Times have changed

As life expectancy and the corresponding risk of disability increases, retirement becomes a less predictable event. At the same time, the government sponsored financial safety net is eroding. We may not be able to depend on Social Security benefits to meet our needs and Medicare does not currently cover many long-term health care requirements. Additionally, in-home care and custodial care costs are usually not covered by government programs. Generally, only care in a facility is covered.

This puts the responsibility for providing for our own financial future — and potentially the care of our aging parents — in our own hands. Compounding this difficulty is that we are quickly becoming a “sandwiched generation” — caring for both our children and our parents simultaneously. And soon, we’ll begin to see two different generations in retirement at the same time. The Health Insurance Association of America estimates by 2020 one out of six Americans will be 65 or older and the number of seniors 85 and older will double to seven million, thus producing a generation of retirees unable to meet the physical or financial demands of caring for their retired and aging parents.

Traditional long-term health care alternatives must be replaced with early planning, goal setting and new ways to manage health care costs. A CFP professional can help you sift through all the decisions and choices you’ll be facing. Taking the time to plan now — before there is a need — will help give you the peace of mind that comes with knowing you are prepared for difficult times.

The personal costs of long-term health care

The personal costs of long-term health care can be as devastating as the financial costs. For the person requiring care, the price is fear of ill health and increasing dependence on family and friends — on top of mounting financial worries. As basic day-to-day living becomes more difficult, the aging face a host of safety, health and financial issues. In-home accidents, appliances left on due to failing memory and forgetfulness in paying bills are just a few examples of the problems that can spiral out of control and become dangerous if no assistance is available.

Studies show that unpaid family and friends provide the bulk of long-term health care services. In fact, it’s estimated that more than 22 million Americans are unpaid caregivers for older persons, according to the U.S. Department of Health and Human Services.

The costs for these caregivers are high as well. A caregiver may feel deep resentment for the time and financial commitment they must make to an aging relative or friend, and then feel deep guilt about that resentment. Family and leisure activities decrease, and the burden of lost time can feel overwhelming. Finally, there is the financial cost of out-of-pocket expenditures and lost time at work.

Working out these feelings and weighing the most appropriate choices require open discussion among family members. Planning ahead — so that everyone knows and understands their role — will help ease the financial and emotional burden of both the caregiver and the recipient.



Planning for the inevitable

To help diminish some of the costs of long-term health care, families must understand the issues and be prepared for what the future will bring. It's critical to open communication with the entire family before problems occur.

Many seniors are hesitant to admit when they become more forgetful, begin to lose their balance, become ill, or simply require more attention. They may fear losing their independence, becoming a burden on their loved ones, as well as a host of other overwhelming challenges. As they face an unknown future, they may choose to hide their problems and concerns from those closest to them. Careful planning and open communication may help make this stage of life easier for everyone involved.

For seniors, you can retain a greater sense of control in your life if you:

- Understand the signs of aging
- Communicate with your family in advance of any health problems
- Prepare both financially and legally
- Know the availability of community services before major problems occur
- Decide while you are well how you want to handle situations
- Organize the resources that might be required later
- Share your planning process and decisions with the people closest to you
- Include long term care insurance in your planning to provide funds necessary to pay for specialized care

If you think you might be responsible for the role of a caregiver to your parent one day, you can help prepare by:

- Paying attention to the warning signs of your aging parent
- Making copies of your parent's living will
- Staying informed about nursing homes before they're needed
- Talking with your parents about the many issues surrounding long-term health care
- Getting to know your parent's doctors, bankers, lawyers, financial planners, etc.
- Checking your parent's home for any potential safety problems
- Increasing communication with your siblings

Today's options

At one time, long-term health care choices were limited. You either lived in your own home, moved in with your kids or moved to a nursing home. There has been an explosion of new housing and care choices — making the decision of what to do even more complicated.

With all these new choices, you now need to think through not only the financial implications of your decision — but also your actual needs in terms of living, health care and lifestyle choices.

Long-term health care can include services as minimal as assistance with tax preparation and help with errands or as extensive as admission into nursing home facilities. It also can include daily assistance with living activities such as eating, bathing and dressing. These activities may be provided at home by paid caregivers, such as home health aides, by family members or friends, a nursing home, or an assisted-living facility.

A nursing home is no longer the only option for those requiring more extensive care. New choices include continuing care retirement communities (CCRC), assisted-living facilities, community based residential facilities (CBRF) and adult day care.

Community services that help supplement long-term health care by family members can include visiting nurses, home health aides, friendly visitor programs, home-delivered meals, transportation services and chore services.

In addition, the many state governments and the federal government offer additional programs such as tax incentives, direct caregiver payments, family leave policies, respite care and specialized caregiver programs.

And the options don't end there. That's why it's so critically important to get organized and understand the decisions you face and the options available. A CFP professional can help guide you through the maze of long-term health care planning, helping to save you time, money and anxiety.

Long-term health care preparations

Select a team of professionals, such as a CFP professional who specializes in long-term care, a lawyer, an accountant, a life insurance underwriter to help with planning issues and:

- Draw up a Health Care Power of Attorney to appoint a representative to make health care decisions
- Complete a Living Will to outline medical treatments you allow or do not allow in the event you become incapacitated
- Draw up a Durable Power of Attorney to help manage assets
- Review property ownership and ways to protect it
- Draw up a will and/or trust documents
- Develop a plan to protect assets
- Check Social Security records to ensure their accuracy
- Review credit history
- Review health and life insurance coverage
- Analyze long-term care insurance options
- Check eligibility for Home Equity Conversion or a Reverse Mortgage
- Explore the various possibilities for alternate living situations
- Consider the implications of living with relatives, friends
- Gather information about all the personal care services available
- Think about whether and under what circumstances hospice care might be chosen over medical treatment
- Make funeral arrangements now




Plan ahead

Most people put off long-term health care planning as long as they can because it's such an uncomfortable topic to discuss. It forces us to deal with difficult issues that we may not feel ready to contemplate: the realities of aging, the decline of our health, and the loss of our independence. Yet through planning, you and your planner can place all these difficult questions on the table now — when you can best deal with them — instead of waiting until it's too late.

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