



## Paying For Long-Term Care

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*Medical costs will likely continue to climb throughout the coming decades. Here's how you can help prepare for health care needs without derailing your retirement plans.*

The average American lifespan is getting longer, and staying healthy is growing more expensive. No matter what happens in Congress, rising health care costs will likely continue to be a concern for both retirees and those approaching retirement.

Especially worrisome is the cost of long-term care (LTC). It's estimated that 70% of Americans over age 65 will require some form of LTC, which Medicare typically does not cover. i Meanwhile, costs for an array of LTC services, ranging from visits from a home health aide to full-time nursing-home care, have risen at nearly twice

the overall rate of inflation during each of the past five years. ii These statistics can cast a pall over even the most comfortable retirement nest egg. A long-term illness can have a serious impact on retirement income and wealth transfer plans.

Most investors know they should set aside extra savings to protect their nest egg against the potential impact of illness and aging. How to allocate that money depends on a number of factors, including your age and the condition of your health, as well as your financial circumstances. It's important to put it in the context of your entire portfolio. When preparing for future health care costs, apply the same framework of risk tolerance and personal vision you use for all of your investing decisions. Then consider how these four strategies can help you balance your financial goals with your health care needs.

### Long-Term Care Insurance

Long-term-care insurance, the most familiar option, is designed specifically to help pay for long-

term health expenses that aren't covered by Medicare, such as home health aides and nursing-home care. Because these policies are designed to help cover these expenses, they tend to cost the most. The premiums can deter people who are concerned that they may not use the benefits.

Still, if you want to help protect your assets from LTC expenses, a long-term-care policy may make the most sense. Weigh the costs against your risk tolerance and ask yourself how you might otherwise meet these needs: One year of at-home care at 12 hours daily currently can cost nearly \$100,000, while three years in a nursing home might easily reach \$200,000. iii

Before purchasing a policy, find out whether it includes an inflation-adjusted benefit to help protect against rising costs. The timing of your purchase



also warrants careful thought. Although you'll make more payments over time if you buy the policy while you're still relatively young and in good health, you're likely to pay a lower premium. The "sweet spot" for buying LTC insurance typically falls somewhere between ages 55 and 70.

### Annuity With an Enhanced Income Benefit

Many people use variable annuities as a source of retirement income. For an additional fee, some variable annuities offer an optional rider that provides

an increase in retirement income in certain circumstances, such as a disability or a chronic health condition. Designed to provide extra income in the event your health changes, this rider available through a variable annuity is not meant to replace health insurance or long-term care insurance. Although the overall benefit may also be smaller than that of traditional LTC insurance, the cost is also lower, and you have the added advantage of addressing more than one need with a single product.

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