PROTECT YOUR RETIREMENT FROM THE EXPENSE OF LONG-TERM CARE NEEDS WITH LONG-TERM CARE INSURANCE
We understand; no one likes to talk about the possibility of a long-term illness — it's unpleasant. Unfortunately, not talking about it can be even more so. The upside is that life expectancy is long — at 65, one can expect to see 85. And, for a couple aged 65, there is a 50 percent chance one will live to 92, and a 25 percent chance one will live to 97. Those are impressive numbers. But, to be realistic, when one lives to advanced ages, needs change and can be expensive. Sadly, it is not unusual for savings to be decimated by an unexpected illness or accident. That is why it is so important to plan now so that your basics are covered, leaving you and your loved ones with a lot less to worry about. At its core, peace of mind for you, your family and your bank account is the value of long-term care insurance.

Where to Find Long-Term Care Services?

- Home Care
- Assisted Living Community
- Adult Day Care Facility
- Nursing Home
- Hospice Care
What Is Long-Term Care?

Long-term care is needed when one is no longer able to perform some of the activities of daily living (ADL) for themselves. Usually this is because of an illness, stroke, accident, aging, mental impairment or other chronic conditions. When this occurs, the family or guardian must rely on professionals to provide the appropriate care either in home or in an external facility. This is costly without insurance, making it vitally important to plan ahead when one considers that an estimated 70 percent of adults 65 and older will need long-term care at some point in their life, with more than half requiring a high level of care (i.e., assistance with two or more ADLs for at least 90 days or severe cognitive impairment).1

What Are Activities of Daily Living?

- Continence
- Dressing
- Meal Preparation
- Eating
- Bathing
- Toileting
- Transferring
- Medication Management


Length of High Need for Adults Aged 65+

52% of Adults Age 65+ Have High Need

- No Need (47.7%)
- Need Lasts <2 Years (26.7%)
- Need Lasts 2-5 Years (11.7%)
- Need Lasts >5 Years (13.9%)

Women in particular need to consider the possibility because they have a longer life expectancy than men and a 50 percent greater chance of living in a nursing home.\(^2\) In five sectors, the users of long-term care were overwhelmingly women.\(^3\)

\[\begin{array}{|c|}
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\text{Monetary Costs of Long-Term Care} \\
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The scariest part about needing long-term care and lack of insurance is clearly the cost; it is prohibitive. As mentioned, care can be provided in-home or at an institutional facility and though costs vary depending on the situation, they are significant. According to a 2015 analysis by the Kaiser Family Foundation, the median annual costs for long-term care range from $17,900 to $91,300. The oncoming retirement of the baby boomer generation will result in skyrocketing health care costs as a function of sheer numbers, increasing consumption of federal and state Medicaid budgets and placing more pressure on personal finances.
**Who Pays for Long-Term Care?**

**Long-Term Care Expenditures**

- **Medicaid**: 40%
- **Medicare**: 23%
- **Private Insurance**: 9%
- **Out of Pocket**: 22%
- **Other Private**: 3%
- **Other Public**: 3%

**TOTAL = $177.6 BILLION**

**Medicaid** — Covers Long-term care expenses for individuals with countable assets of $2,000 or less and care could be limited to a nursing home chosen by Medicaid, not the family.

**Medicare** — Covers only a portion of long-term care costs up to 100 days; 20 days are at no cost, and the remaining 80 require a significant co-pay from the insured.

**Self Insurance** — Assets used to pay for long-term care can deplete future income for the patient’s spouse, as well as drain any planned legacy for the patient’s beneficiaries.

**Long-Term Disability** — Covers lost income, but it doesn’t pay for any long-term care needs. Often coverage ends at the cessation of employment and it typically ends at age 65.

**Family Members** — Even the most responsible are not always prepared physically, emotionally or financially to care for loved ones. Fifty-three percent of Americans who cared for a loved one lose income because of the demands of providing that care.4

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5 The 2014 Sourcebook for Long-Term Care Insurance Information, American Association for Long-Term Care Insurance, 2013
6 Ibid.
7 Navigo – Long Term Care Insurance Statistics : June 2013 Update.

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**The Overt Costs**

**HOME HEALTH CARE**
- 51 percent of all long-term care services are provided in the home5
  - 2016 — $49,204
  - 2030 — $85,782

**COMMUNITY CARE**
- Once Admitted, the average length of stay in the United States is 2½ years6
  - 2016 — $47,600
  - 2030 — $83,661

**NURSING HOME CARE**
- Long-term care claims are growing in duration — 15 percent of claims last over five years vs. 4.5 percent 10 years ago7
  - 2016 — $90,520
  - 2030 — $177,770
Key Considerations

- What is the health history in your family?
- What is the history of longevity in your bloodline?
- Does this align with your expectation of your health and personal longevity?
- What kind of support, financial or caregiving, are you providing for the benefit of your spouse or another adult?
- Have you planned for any of these issues that could affect your retirement plans/goals?
- What type of insurance have you considered when you leave the workforce? What type of insurance do you have now since you left the workforce?
- How familiar are you with Medicare, what it covers, and when and how you should enroll?

Personal Costs of Long-Term Care

The baseline cost of care — the numbers — tells a compelling story, but there is another story not explicitly illustrated by quantifiable Medicaid budgets and health care costs. The cost to unpaid caregivers, usually family members or friends, can be emotionally and financially devastating. In a 2013 study by AARP, it was estimated that unpaid caregivers provided $470 billion worth of care. Yet, on average, caregivers aged 50 and older lose approximately $303,880 in income and benefits over their lifetime. And, if you look at just women, who comprise 75 percent of unpaid caregivers, that number jumps drastically to $565,000 in lost income and benefits. In addition to lost income and benefits, the physical and emotional toll can result in the caregiver providing subpar care to the patient. The numbers are staggering:

- Forty-six percent of family caregivers report that providing care affected their personal health and well-being
- Fifty-three percent of caregivers and care recipients report they lost income due to the demands of providing care
- Approximately fifty percent of caregivers experience negative emotional reactions, including depression, mood swings or resentment

10 Metlife Study of Caregiving Costs, 2011.
11 Older Women, Administration on Aging, November 2013.
12 Take Time to Make Long-Term Care Plans, Minnesota Women’s Press, November 2013.
15 Ibid.
16 Ibid.
Long-Term Care Insurance as a Solution

The Bipartisan Policy Center report, Financing Long-Term Services and Supports: Seeking Bipartisan Solutions in Politically Challenging Times (July 2017), concludes that long-term care costs are a serious threat to retirees and their families, costing an estimated $725 billion a year. Medicaid can offset some of the expense, but it is only available when the patient reaches levels of impoverishment and many people choose to try and keep their loved ones out of the system for as long as possible. This can result in astronomical out-of-pocket expenditures. So, what’s the solution?

Though we don’t claim to have all the answers, an obvious solution to many of the financial and human costs is long-term care insurance. Investing in insurance helps those in need:

- Avoid physical and financial dependence on family and friends
- Protect hard-earned assets
- Maintain choice of how and where they receive care
- Receive high-quality care, at an affordable price
- Stay in their homes
- Retain their independence

It also protects both the retiree’s nest egg and the emotional well-being of potential unpaid caretakers. Only 11 percent of Americans aged 65 or older own long-term care insurance and that number is declining.17 This is unfortunate, not only for the aforementioned reasons but also because not investing in insurance reduces certain tax benefits. Long-term care payments receive favorable tax treatment, for the:

INDIVIDUAL — Premiums count as a medical expense and are deductible — to the extent that other medical expenses are deductible — once they exceed 10 percent of the insured’s adjusted gross income. Over age 65 the threshold drops to 7.5 percent.

SELF-EMPLOYED — 100 percent of premium is deductible — the 10 percent /7.5 percent threshold doesn’t apply — as well as dependent/spouse premiums.

PARTNERSHIP/LLC/SUB CHAPTER S —
- Owners — Same as self-employed deductibility
- Employees — 100 percent deductible — no income to employee

C-CORPORATION — 100 percent of the premium is deductible to the corporation. Same for the owner if they are an employee. Not subject to non-discrimination rules — employer can be selective as to employees in plan

ANNUITY GAINS — Can be accessed income-tax free to pay long-term care premiums. Deferred gains in an annuity can be leveraged and accessed income-tax free to pay long-term care expenses.

Long-Term Care Insurance, HilltopSecurities and the Certainty Circle of Life

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17 Richard Eisenberg, “How to Keep Long-Term Care From Bankrupting Us,” Forbes, July 2017.
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