

If Not Long-Term Care Insurance, Then What?

If you don't buy long-term care insurance, how can you plan to cover your long-term care needs once they (most likely inevitably) arise?



Will you need long-term care someday?

The odds say yes — about 70% of people over the age of 65 will need to access some form of long-term care in the future, according to statistics from the Administration for Community Living (ACL).

For many people, the big question becomes how to pay for long-term care when the need arises. Long-term care insurance can be expensive and hard to get. BA plan for long-term care

The key to making sure you receive the care you need in retirement is to have a plan in place. If you purchased a policy in the past, we recommend reviewing it regularly as a reminder of what it covers and when it kicks in. You may also want to run the numbers to make sure it's still the most cost-effective option for your situation. If you don't

own a policy, I recommend working with an adviser who can help you explore all the options and find the one that works best for you.

But not having insurance can result in depleted savings and the risk of running out of money during your lifetime (plus not having any to leave to your loved ones when you're gone).

With the annual cost of long-term care ranging from \$50,000 to \$100,000-plus, paying for it can be a real concern. The cost will likely continue to rise as Baby Boomers age, and demand for services increases. Also, as health care advances and people live longer, the need for long-term care will grow.

So, am I in favor of purchasing long-term care insurance? The short answer is no if you don't already have it. If you've had a policy for five or more years, then you may have a good policy that you got for a great price. However, the cost of long-term care policies has increased

significantly, and we haven't recommended one of our clients buy a policy in over five years. This *doesn't* mean you shouldn't do your own due diligence on long-term care insurance; we simply find there may be other, more attractive ways to cover the cost.

Keep in mind that we work with clients whom we call Midwestern Millionaires ([I wrote a book on this that you can find here](#)). These types of people have been diligent savers and may be able to plan for ways outside of long-term care insurance. It is important to understand your situation and know that general financial advice is not one-size-fits-all.

Also, long-term care insurance could become more popular over time as rates or products change. You always want to be open-minded when it comes to [retirement planning](#), and it is important to work with a team that will always be

proactive in seeking the best solutions for you over time.

Here's a look at some of the other options to consider:

Option 1: Self-insure

Individuals who have enough money saved or a significant pension may be able to self-insure. However, this could result in leaving less to your loved ones after you die.

Going the self-insured route means you must have your investments structured well. There are two things to think about when planning for this: taxes and market protection. Let's start with taxes. If you need \$100,000 annually to pay for long-term care, there will be a big tax impact if you take from your tax-deferred investments. This is where proactive tax planning becomes important; if you have a mix of tax-deferred and tax-free investments, you can potentially lower your tax bill and

still be able to cover the cost of long-term care.

From a market protection standpoint, if the market is down and you need \$100,000, you would experience one loss from the market being down and another loss from taking out money. You could protect from this “double loss” by looking for investment options that offer more protection and less risk to ensure the money is available if — and when — you need it.

Option 2: Medicaid asset protection trust

Another strategy that has become attractive to some people in or near retirement is what’s called a Medicaid asset protection trust. This strategy isn’t for everyone, but it’s definitely worth a look for those who think they might

need long-term care assistance in retirement.

With this strategy, you put your assets into a trust that is registered out of your estate. You can still access the assets within the trust if it's set up the right way, but you may be eligible for Medicaid assistance earlier because you won't be required to spend down all your assets to qualify. Medicaid will allow you to still get the long-term care you need without the entire cost coming out of your pocket.

This strategy is complicated, and it must be completed in time to get the "free look," which is different from state to state. This is why it's important to work with an elder law attorney specializing in this area. At Peak Retirement Planning, we work with an experienced estate planning attorney who meets with our clients and advisers to make sure things are set up correctly and that nothing gets missed.

A plan for long-term care

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