Extended Care

IS CRITICAL TO RETIREMENT PLANNING

Planning for extended care is not optional. It must be a critical, integral part of every client's retirement plan. Failing to effectively address the subject in a meaningful, personalized way risks the failure of every other financial, investment, retirement, and estate plan.

QUESTION NUMBER ONE: Is longevity a concern? The answer for nearly every client is, of course. Longevity risk is the driving factor in adequate funding for and management of assets, income and expenses in retirement. Is it reasonable in America today to expect to live to age 85, 90, if not longer? Of course. The number one retirement fear historically has been running out of money.

But a new retirement fear now polls nearly even with running out of money: The cost of health care in retirement. According to Fidelity Investments, a 65-year old couple retiring in 2019 can expect to spend $285,000 in health care and medical expenses throughout retirement. This scary-looking figure is misleading. It is the total estimated medical care costs for two people over roughly 20 years, and most of that cost comes from expected, monthly premiums for Medicare Parts B and D, and Medicare supplemental insurance. Retirees do not need $285,000 saved up for health care the day they retire as monthly insurance premiums are typically part of a normal budget. This is already a "covered risk".

The real risk: Long-term care. The Fidelity figure does not include the cost of long-term care. Long-term care is not covered by Medicare, ever. Medicare may pay for "short-term" care if it is skilled and rehabilitative, and benefits are capped at 100 days or less.

Without a plan for extended care, clients risk everything, not just financially, but providing care puts the health and lifestyle of a spouse or child caregiver on the line as well.

QUESTION NUMBER TWO: If it is reasonable to plan for retirement assets and income to last until age 85, 90, if not longer, is it reasonable to expect that a client – for sure at least one spouse – will need extended care for at least a few years along the way? Of course.

A mistake that many advisors make is attempting to quantify the risk of needing care with statistics. No matter what numbers are used, 70% or 50%, there is always the question of, "But will it happen to me?" That individual, personal risk cannot be measured. It will be either 100% or 0%.

Again, is it reasonable to expect that it could happen, especially if you live to 85, 90 or longer? Yes.

QUESTION NUMBER THREE: If you need care, what impact would providing care have on your spouse, your kids, your income, and potentially your assets?

This is heart of extended care planning: Identifying the consequences not to the person needing care but rather the personal and financial consequences to those the client loves who – without an explicit plan – will have no choice but to put their lives aside to provide care.

The financial cost of professional care – whether it is home care aides, adult day services, assisted living, or a skilled nursing home – does not flow directly from needing care. Just because you develop Alzheimer's or another form of dementia and need supervision or you need physical help with the Activities of Daily Living to be safe does not mean you will immediately begin to pay for care or have to move to a residential facility.

The financial cost of professional care flows from the need to relieve the burden on others. Home care so a spouse or partner can get a good night's sleep and preserve her own health or to have the freedom to shop and pursue other personal, lifestyle needs outside the home without constant worry; assisted living or a nursing home when the scope and amount of care becomes so burdensome it can no longer be provided at home.

Without an explicit, personalized extended care plan and clear expectations about how to pay for it, clients risk everything, not just their financial security, but the very health and life of those they love.

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Certification for Long-Term Care

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