

# Planning for Long-Term Care

## Protecting Your Life Savings

Presented by:

Dave Herwerden

WestPoint Wealth Management

Director, Financial Advisor

[dherwerden@westpointwealth.com](mailto:dherwerden@westpointwealth.com)

(866) 640 - 7908



# Is Long-Term Care in Your Future?

Statistically, **52%** of people over age 65...

...that's **more than half**...  
will need long-term care.



# What Is Long-Term Care?

- Ongoing services and support needed because of chronic health condition or disability
- Three levels of care: skilled, intermediate, and personal care
- Care can be provided in a variety of settings



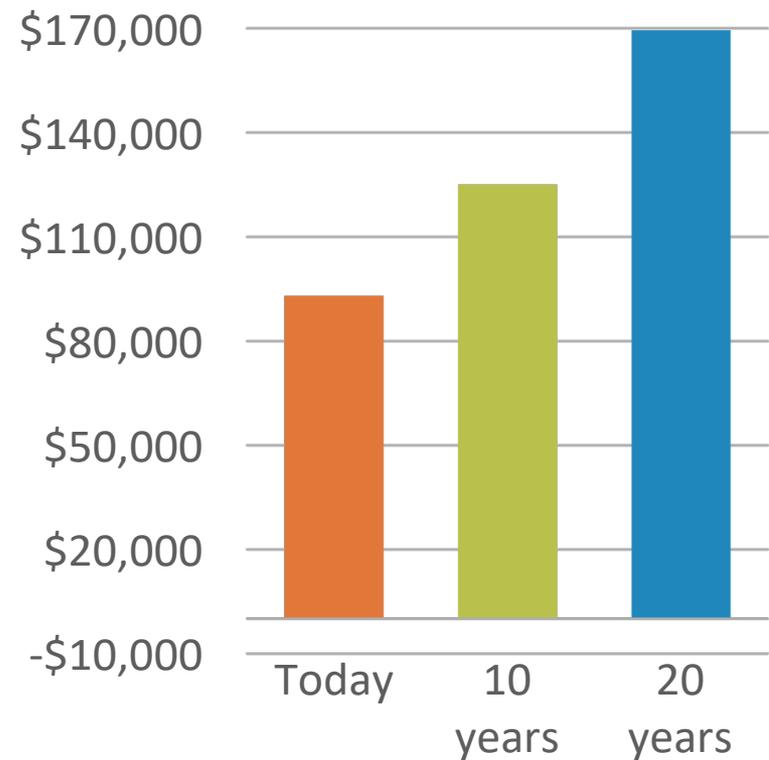
# Where Can You Receive Care?

- At home
- At an assisted-living facility or other senior living facility
- At an adult day-care center
- In a nursing home



# Annual Cost of Nursing Home Care

- Average nationwide cost of nursing home care is **\$93,075 per year\***
- If costs rise at an average rate of 3% per year, in 20 years the average cost of nursing home care will be approximately **\$169,467 per year**



\*Source: U.S. Department of Health and Human Services 2021  
This is a hypothetical example used for illustrative purposes only.

# How Will You Pay for Long-Term Care?

- Pay out-of-pocket
- Rely on government programs such as Medicare or Medicaid
- Buy long-term care insurance



# Paying for Long-Term Care Out-of-Pocket



- More freedom to choose care
- May be ideal if you can afford to pay for care indefinitely

But...

- You must be willing to liquidate assets if necessary
- May impact ability to pass on assets to family
- If you run out of money, relying on family members or the government may be your only options

# Paying for Long-Term Care Out-of-Pocket: Reverse Mortgage



- Live at home for as long as you are able
- No mortgage payments to make
- Loan is repaid when you vacate the home

A reverse mortgage allows you to borrow against your home equity. You can use the cash you receive to pay for the long-term care services that will help you remain in your home.



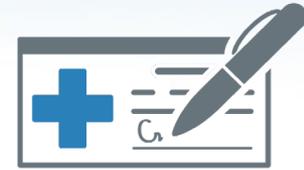
# Paying for Long-Term Care Medicare



**Medicare is federal health insurance that provides only limited coverage for long-term care services.**

- Pays costs only after 3-day hospitalization
- Pays full cost of skilled nursing care for only 20 days
- Pays partial cost from day 21 to day 100
- Pays nothing after 100 days
- Does not pay for personal or custodial care
- Home health benefits are limited

# Paying for Long-Term Care Medicare



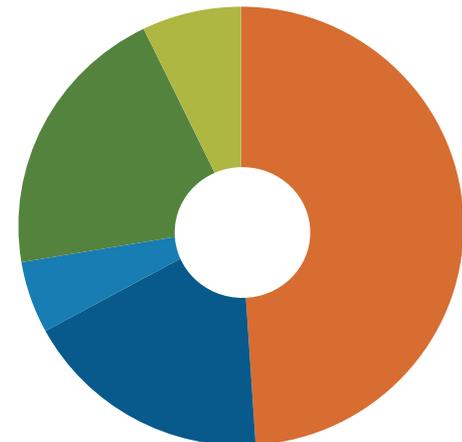
- Medicaid, not Medicare, is the joint federal-state program that pays for long-term care expenses
- Medicaid is the largest public payer of long-term care services

But...

- Medicaid is means-based
- Medicaid limits where you can receive care

## Nursing home care expenditures

- Medicaid
- Out-of-Pocket
- Other Public/Private
- Medicare
- LTC Insurance



# Medicaid Eligibility

- Each state establishes its own eligibility criteria under federal guidelines
- In most states, an individual's income must be less than cost of care
- In some states, income cap applies (usually 300% of SSI benefit)
- In most states, asset limit is \$2,000 (limits may be higher if married)

## **But some assets are not counted:**

- Your house (if your spouse is living)
- One car
- Household and personal belongings
- Term life insurance
- Burial plots and funeral expenses



# Medicaid Planning — What Is It?

## Strategies may include...

- Using assets that count (e.g., savings) to purchase assets that don't count (e.g., a small term life insurance policy)
- Transferring assets in an irrevocable trust
- Giving assets away

**Distributing or protecting your assets in advance may help you qualify for Medicaid**



# Medicaid Planning

## Benefits and Drawbacks

### **Benefits**

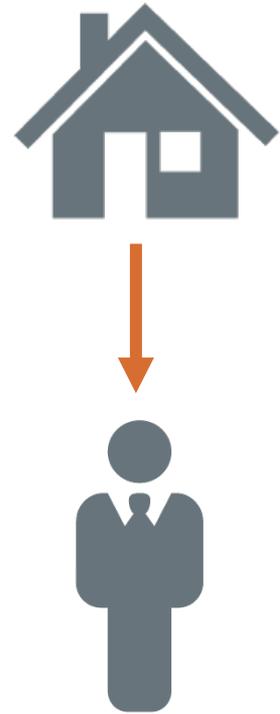
- Qualify for Medicaid as soon as possible
- Protect a healthy spouse
- Preserve assets for loved ones

### **Drawbacks**

- Ethically problematic for some
- May require you to give up rights to your assets
- Medicaid laws are complex

# Medicaid Planning Example

- You transfer ownership of house to your son
- Fair market value of house is \$400,000
- Average cost of nursing home care in your area is \$8,000
- Ineligibility period is 50 months



# Paying for Long-Term Care

## Long-Term Care Insurance

- Pays benefits when you need extended care
- Especially valuable for middle income Americans who want to preserve financial independence and quality of life
- Freedom to choose care
- Can help preserve assets



# Long-Term Care Insurance

## How Does It Work?

- You must be in reasonably good health to buy policy
- Premium is based on your age, and the features and benefits you choose
- Benefit is typically triggered when you become chronically ill or cognitively impaired and need help with 2 out of 6 activities of daily living (ADLs)
- Once elimination period (waiting period) is satisfied, benefits paid as long as necessary until policy limits are reached



# Long-Term Care Insurance

## 5 Key Features

### 1 Benefit

What is the amount of the benefit payable?

### 2 Benefit period

How long will benefits last?

### 3 Elimination period

How long will you wait before benefits begin?

### 4 Location of care

Does the policy cover care in different settings?

### 5 Inflation protection

Will your benefits keep up with rising costs?

# Long-Term Care Insurance

## Managing the Cost

- The younger you are when you buy a long-term care policy, the less expensive the premium
- Make sure you can afford the premium now and in the future
- Buy from a reputable company
- Choose features and benefits wisely



# Long-Term Care Insurance Government Incentives

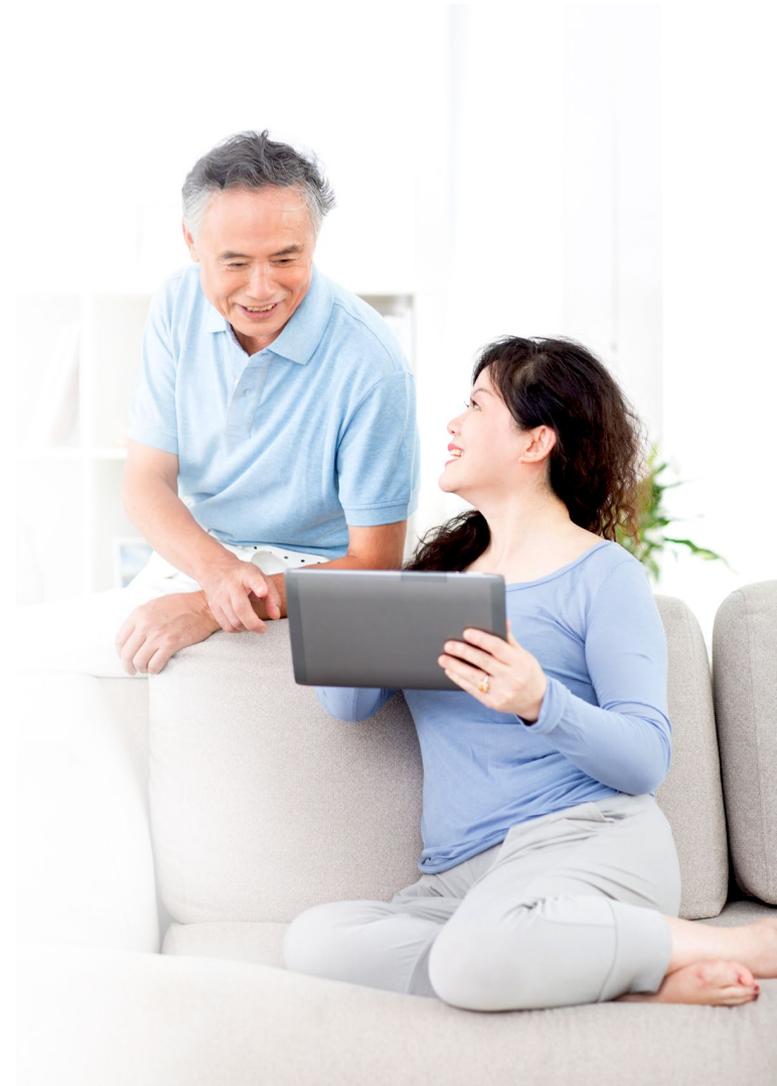
- Federal tax deduction for long-term care insurance premiums
- State deductions or credits for long-term care insurance premiums
- Partnership policies that help you qualify for Medicaid

Deduction for Long-Term Care Insurance Premiums: 2021	
Age	Deduction Limit
40 or under	\$450
41-50	\$850
51-60	\$1,690
61-70	\$4,520
71+	\$5,640

# Other Insurance Options

## Combination Policies

- Combines life insurance or annuities with long-term care insurance benefits
- Need for large lump sum
- No medical expense deduction



# Begin Planning Today

- While you're healthy enough to take advantage of all options
- While you have enough time to plan for Medicaid
- To help relieve your family of the burden of making decisions



# Long-Term Care Planning Checklist

- ✓ Explore services and costs in your area
- ✓ Assess your finances
- ✓ Talk to your family about your plans
- ✓ Compare options with the help of a qualified financial professional
- ✓ Prepare health-care directives



# Thank You



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