LONGEVITY RISKS

M Financial Group™

Long-Term Care Considerations

Many individuals planning for retirement have an expectation that they'll live a long life.

If so, is it reasonable to believe that by living a long time you may need assistance at some point in the future due to health and mobility changes? For most the answer is yes.

HEALTH EXPECTANCY VS. LIFE EXPECTANCY

The difference between health expectancy and life expectancy is important to address when planning for retirement. The larger the gap, the larger the issue.

The questions that then result:

- What is the current plan if long-term care services are needed? Where will you go? Who will provide or coordinate care? How will it be paid for?

These are uncomfortable to think about, but planning can help prepare a family and avoid rush decisions and differing opinions by relatives.

Emotional, Physical and Financial Impacts

Caregiving impacts families emotionally, physically, and financially. Emotional and physical considerations are often lumped together as decisions when care is needed usually default to the surviving spouse, siblings or family living closest to the person needing care. Care is often provided initially by one or more of these parties while a plan is created. The challenges that surface at this point are often a result due to a lack of financial planning and differing opinions about care due to cost and location. Paying for caregiving is not inexpensive.

Depending on the duration (which is the biggest unknown variable) and type of care that is needed, significant income may be needed to fund caregiving. Clients have resources to receive top-level care either at home or in a facility, but how that care is funded may pose challenges. These key considerations should be discussed:

Liquidity

- Will assets need to be liquidated to fund care? Remember that income pays for care, not assets.
- Is net worth tied up in a business, real estate, or other investments?
- Should additional costs be considered when liquidating? (Taxes, market timing, fees, etc.)

Retirement Portfolio Impact

- If using income generated from a retirement portfolio, will principal be eroded if additional income is needed for caregiving expenses?
- Will caregiving expenses divert funds away from other planned lifestyle and planning choices, e.g., everyday lifestyle needs, a spouse's future expenses, charitable/legacy goals?
- How will a surviving spouse or other dependents be affected?

Solutions

There are several possible solutions.

- An existing funding source may be identified for use in the event caregiving is needed. By default, care will be paid for out of pocket. This may be okay based on the liquidity and retirement portfolio considerations discussed above as part a person's overall financial plan. Be sure to document what the plan outlines.

- Insurance policies – There are multiple types of options available to insure for long-term care. Many clients today prefer to utilize a life-insurance based policy that provides a guaranteed premium structure and provides a benefit to heirs if coverage for LTC is not utilized.
- Annuities – Medical history may impact the ability to obtain insurance, so an annuity may provide an option to create a dedicated income stream as well.

Each situation may require a different solution and/or a combination of solutions to create a plan. The most important step is to start the discussion, begin creating the plan so it will be ready when needed, and communicate it to family who may be involved in the future.

This is for informational purposes only and is not intended to replace the advice of a qualified professional.