Understanding and planning for long-term care
Today’s Agenda

- Why long-term care cost planning is important
- Long-term care cost challenges
- How to create a long-term care cost plan
10,000 baby boomers turn 65 every day

This will happen every day until the year 2030

Source: Social Security Administration, 2015.
Welcome to the U.S. of gray

Source: The United States Census Bureau. 2014.
In 2030, **32 states** will resemble **Florida** in its share of elderly residents.

Long-term Care Cost
— Realities —
Long-term care coverage risk is overlooked

70% of people over 65 will need some type of long-term care\(^1\)

14% have purchased LTC insurance coverage\(^2\)

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\(^1\) 2016 Medicare & You, National Medicare Handbook, Centers for Medicare & Medicaid Services,
\(^2\) Long Term Care Study Among U.S. Adults Ages 50 and Older conducted by Harris Poll on behalf of the Nationwide Retirement Institute, 2017. The online survey was conducted by Harris Poll on behalf of Nationwide from September 13 – 27, 2017 among 1,214 adults ages 50 and older.
Candidates for long-term care coverage

• Anyone with assets to protect or pass on to heirs
  • For example: Homes, property, retirement accounts, etc.

• Not just for the elderly
  • 92% of LTC coverage purchasers are under 65
  • 55% of policies are written for people between 55 to 64

• Affluent couples and individuals
  • Paying LTC costs out-of-pocket may not be cost-efficient

Source: American Association of Long-Term Care Insurance, 2015.
Perceptions of long-term care

“Expensive”

“Loss of premium”

“Complicated”

“Nursing Home”

“Medicaid”

“Medicare”

“Skepitical”

“Other obligations”
Long-term care doesn’t always mean “nursing home”

Types of care

**Informal care**
- The most common form of long-term care
- Provided in the home by family members, friends and neighbors

**Home health care**
- A range of paid services provided in the home by professional caregivers
- Assistance can include help with household tasks and personal hygiene, nursing care, or physical, speech or occupational therapy

**Community care**
- Includes assisted living or adult day care facilities where trained professionals provide care
- A care facility where individuals can receive skilled nursing and custodial care for age-related or chronic health conditions on a 24/7 basis

The reality is, more than half of all long-term care services are being provided in the home.

Long-term care coverage realities

• Strong likelihood you will need long-term care
• LTC costs can be substantial
• Government programs may not be realistic solutions
• Women are particularly impacted by long-term care
## Long-term care can be expensive

<table>
<thead>
<tr>
<th>Type</th>
<th>Annual median costs</th>
<th>Average stay (years)</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Health Aide Services</td>
<td>$47,450</td>
<td>3.9</td>
<td>$185,055</td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>$24,820</td>
<td>3.9</td>
<td>$96,798</td>
</tr>
<tr>
<td>Assisted Living Facility (one bedroom, single occupancy)</td>
<td>$43,536</td>
<td>3.9</td>
<td>$169,790</td>
</tr>
<tr>
<td>Nursing Home (semi-private room)</td>
<td>$82,125</td>
<td>3.9</td>
<td>$320,288</td>
</tr>
<tr>
<td>Nursing Home (private room)</td>
<td>$92,325</td>
<td>3.9</td>
<td>$360,068</td>
</tr>
</tbody>
</table>

U.S. median of existing home prices (August 2016): $307,800

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1 Long-term Care Insurance Statistics,” LTC Tree (August 16, 2016)
2 U.S. Census Bureau, 2017.
...and will continue to grow

Cost for one semi-private nursing home room per year

- 2016: $92,325
- 2040: $265,000

Source: American Association for Long-term Care Insurance (AALTCI) 2016 Sourcebook.
Medicaid and Medicare may not be realistic solutions

**Medicaid**
- Proof of impoverishment at time of claim
- Countable assets must be less than $2,000 (varies by state)
- Five-year look-back on assets to qualify
- Options for care may be limited

**Medicare**
- Pays a maximum of 100 days of care
  - Daily co-pay after 20 days
- Begins after 3rd consecutive day in hospital under treatment
- Covers skilled care only, not chronic

The options for using Medicaid for long-term care needs are very limited. The figure varies by state, but an individual's countable assets have to be about $2,000 or less before Medicaid will cover care.

Long-term care is likely to be informal and unpaid

Half of long-term care is done by spouses or other relatives

3 out of 4 family LTC care providers are women (wives, daughters, daughters-in-law, etc)

Long-term care needs greatest among women

68.5% of LTC policies are issued to women

Women are ...
- twice as likely to file LTC claims
- likely to be on LTC claim longer than men
- majority of nursing home and assisted living patients
- twice as likely to exceed a 3-year claim

**ACTION:** Focus on protecting wives financially after their husbands pass

Source: American Association for Long-Term Care Insurance, 2016.
Long-term Care Cost

— Challenges —
What if you don’t plan for LTC costs?

• Do you have enough resources and support?
• Can your family really take care of you?
• What would you sell first to cover your bills?
• What impact will providing care for you have on your family?
What qualifies as long-term care?

To qualify for long-term care benefits, a doctor must certify either:

**Severe cognitive impairment**
Lack of memory, orientation, person, place or time, abstract reasoning or judgment relating to safety (Alzheimer’s would qualify)

OR

**Inability to perform two Activities of Daily Living**
Standard 6 ADLs: bathing, dressing, using the toilet, eating, transferring (out of bed, chair or wheelchair), continence
LTC coverage: What to look for

- Coverage for all qualified services
- Coverage for temporary claims
- Cost structure is easy to understand
- Future cost increases
- Indemnity vs. Reimbursement plans
## Comparing indemnity & reimbursement plans

<table>
<thead>
<tr>
<th>Indemnity plans</th>
<th>Reimbursement plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay the entire amount of benefit</td>
<td>Generally have more limitations than indemnity plans</td>
</tr>
<tr>
<td>Generally, no requirement to submit bills or receipts (some companies require monthly proof of service)</td>
<td>Not all plans pay full benefits if on claim with another company</td>
</tr>
<tr>
<td>Excess benefits can be used for other purposes</td>
<td>Plan may limit or deny benefit amount while on Medicare claim</td>
</tr>
<tr>
<td>May collect full benefits from multiple policies (Unless care is taken, may cause a taxable event)</td>
<td>Plan may have a long list of services not covered</td>
</tr>
</tbody>
</table>

This information is general in nature and is not intended to be tax, legal, accounting or other professional advice. The information provided is based on current laws, which are subject to change at any time, and has not been endorsed by any government agency.
LTC cost planning may help

• Avoid dependency on government programs and limits on care options

• Protect a surviving spouse from financial burden

• Preserve a financial legacy for heirs
Long-term Care Cost

— Creating a plan —
How to get started

• Get a personalized LTC cost estimate

• Consider your coverage options
  • Traditional LTC policy
  • LTC policy with Life insurance
  • Life insurance with LTC rider
  • Other options for uninsurable situation

• Consider potential sources of funding options
  • Required distributions from IRAs
  • Systematic annuity withdrawals
  • Money not needed for retirement income
Start with a Health Care/Long-term Care Cost Assessment

Determine individual long-term care costs

• The Nationwide Health Care/Long-term Care Cost Assessment
  – Powered by calculations from one of the world’s leading actuarial firms
  – Provides a personalized estimate of possible long-term care expenses
  – You may also include estimates for annual Medicare and out-of-pocket expenses
Be prepared for health care costs

A personalized estimate of retirement health care costs to help you plan for the future

Personalized Health Care Cost Assessment
Includes Medicare, out-of-pocket, and long-term care expense estimates

Designed for Jim Smith and Linda Smith
Monday, January 1, 2018

Prepared by Sample Producer

The information collected on the Personalized Health Care Cost Assessment will be kept confidential and used to provide an estimate of a client’s potential health care costs in retirement. The estimate is based on a client’s specific financial situation and goals, as well as their current overall health condition. The client’s financial situation and health condition may change over time and this may affect their future changes. Please keep in mind that the estimates resulting from the fact finder are for hypothetical purposes only and are not guaranteed.

This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
- Not insured by any federal government agency • May lose value
# Client Facts

<table>
<thead>
<tr>
<th>Client Facts</th>
<th>Jim Smith</th>
<th>Linda Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age/Gender:</strong></td>
<td>Male, Age 60</td>
<td>Female, Age 60</td>
</tr>
<tr>
<td><strong>Retirement Age:</strong></td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td><strong>Life Expectancy:</strong></td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td><strong>State:</strong></td>
<td>OH</td>
<td>OH</td>
</tr>
<tr>
<td><strong>Income Level:</strong></td>
<td>Married Filing Jointly — $170,000 or less</td>
<td>Includes Medicare, out-of-pocket, and long-term care expense estimates</td>
</tr>
<tr>
<td><strong>Medicare Coverage:</strong></td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**Current Health**

<table>
<thead>
<tr>
<th>Current Health</th>
<th>Jim Smith</th>
<th>Linda Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td>High blood pressure:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>High cholesterol:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Type 1 diabetes:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Type 2 diabetes:</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Cardiovascular disease:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Cancer:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Multiple Sclerosis:</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**Lifestyle & health history**

<table>
<thead>
<tr>
<th>Lifestyle &amp; health history</th>
<th>Jim Smith</th>
<th>Linda Smith</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco user:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Cardiovascular/Diabetes family history:</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Dependency on cane, walker, or wheelchair:</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Average Annual Expenses per 5-Year Period

The following graph shows the average estimated annual cost of health care in retirement.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Annual Projected Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023-27</td>
<td>$14,732</td>
</tr>
<tr>
<td>2028-32</td>
<td>$20,457</td>
</tr>
<tr>
<td>2033-37</td>
<td>$28,279</td>
</tr>
<tr>
<td>2038-42</td>
<td>$22,104</td>
</tr>
<tr>
<td>2043-47</td>
<td>$25,475</td>
</tr>
<tr>
<td>2048-49</td>
<td>$30,237</td>
</tr>
</tbody>
</table>

Amounts for under age 65 assume 100% member responsibility for private health insurance premiums and other associated medical costs unless otherwise indicated. Amounts for age 65 and older assume coverage by Medicare Part A and include insurance premiums for Medicare Parts B, D, and supplemental insurance, plus additional associated medical costs.
<table>
<thead>
<tr>
<th>Year</th>
<th>Average</th>
<th>$108,388</th>
<th>$261,375</th>
<th>$31,107</th>
<th>$400,870</th>
<th>$585,474</th>
<th>$429,361</th>
</tr>
</thead>
<tbody>
<tr>
<td>2035</td>
<td>90</td>
<td>$7,712</td>
<td>$20,663</td>
<td>$1,862</td>
<td>$30,237</td>
<td>$22,515</td>
<td>$16,514</td>
</tr>
<tr>
<td>2036</td>
<td>89</td>
<td>$7,290</td>
<td>$19,493</td>
<td>$1,813</td>
<td>$28,596</td>
<td>$21,306</td>
<td></td>
</tr>
<tr>
<td>2037</td>
<td>88</td>
<td>$6,892</td>
<td>$18,368</td>
<td>$1,759</td>
<td>$27,019</td>
<td>$20,127</td>
<td></td>
</tr>
<tr>
<td>2038</td>
<td>87</td>
<td>$6,515</td>
<td>$17,249</td>
<td>$1,701</td>
<td>$25,465</td>
<td>$18,960</td>
<td></td>
</tr>
<tr>
<td>2039</td>
<td>86</td>
<td>$6,159</td>
<td>$16,095</td>
<td>$1,635</td>
<td>$23,889</td>
<td>$17,730</td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td>85</td>
<td>$5,822</td>
<td>$15,014</td>
<td>$1,571</td>
<td>$22,407</td>
<td>$16,685</td>
<td></td>
</tr>
<tr>
<td>2041</td>
<td>84</td>
<td>$5,503</td>
<td>$14,002</td>
<td>$1,508</td>
<td>$21,013</td>
<td>$15,610</td>
<td></td>
</tr>
<tr>
<td>2042</td>
<td>83</td>
<td>$5,203</td>
<td>$13,053</td>
<td>$1,448</td>
<td>$19,704</td>
<td>$14,501</td>
<td></td>
</tr>
<tr>
<td>2043</td>
<td>82</td>
<td>$4,918</td>
<td>$12,165</td>
<td>$1,390</td>
<td>$18,473</td>
<td>$13,665</td>
<td></td>
</tr>
<tr>
<td>2044</td>
<td>81</td>
<td>$4,649</td>
<td>$11,345</td>
<td>$1,334</td>
<td>$17,328</td>
<td>$12,679</td>
<td></td>
</tr>
<tr>
<td>2045</td>
<td>80</td>
<td>$4,395</td>
<td>$10,582</td>
<td>$1,279</td>
<td>$16,256</td>
<td>$12,502</td>
<td></td>
</tr>
<tr>
<td>2046</td>
<td>79</td>
<td>$4,155</td>
<td>$9,863</td>
<td>$1,227</td>
<td>$15,245</td>
<td>$12,598</td>
<td></td>
</tr>
<tr>
<td>2047</td>
<td>78</td>
<td>$3,927</td>
<td>$9,192</td>
<td>$1,176</td>
<td>$14,295</td>
<td>$12,655</td>
<td></td>
</tr>
<tr>
<td>2048</td>
<td>77</td>
<td>$3,713</td>
<td>$8,560</td>
<td>$1,127</td>
<td>$13,400</td>
<td>$12,775</td>
<td></td>
</tr>
</tbody>
</table>

Total | $47,725 | $103,928 | $32,951 | $184,604 | $108,388 | $261,375 | $31,107 | $400,870 | $585,474 | $429,361 |

Average | $2,983 | $6,496 | $2,059 | $11,538 | $4,169 | $10,053 | $1,196 | $15,458 | $22,515 | $16,514 |

* Averages are calculated from columns.
HEALTH CARE AND LTC COST ASSESSMENT

[Graph showing annual long-term care costs for 2018, 2035 Jim Smith, and 2045 Linda Smith, with costs for home health care, assisted living, and nursing home care.]
**HEALTH CARE AND LTC COST ASSESSMENT**

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**Medicare coverage** (select only one option)

- All Medicare premiums plus additional medical costs will be used as the default option if no other option is selected. Not required for LTC-only reports.
- Include Medicare parts A, B, & D plus supplemental insurance premiums and out-of-pocket expenses.
- Include Medicare parts A, B & D plus supplemental insurance premiums only.
- Include Medicare parts A, B & D only.
- Include Medicare parts A & B only.

<table>
<thead>
<tr>
<th>Medicare Coverage</th>
<th>$214,001 to $267,000</th>
<th>$267,001 to $320,000</th>
<th>more than $320,001</th>
</tr>
</thead>
<tbody>
<tr>
<td>$107,001 to $133,500</td>
<td>$133,501 to $160,000</td>
<td>more than $160,001</td>
<td></td>
</tr>
</tbody>
</table>

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**Diagnosed with cancer?**

- Years since diagnosis:

**Diagnosed with multiple sclerosis?**

- Yes  No

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**LIFESTYLE & HEALTH HISTORY**

- Currently a tobacco user?
- Dependent on cane, walker or wheelchair?
- Family history of diabetes or cardiovascular disease?

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**Annual income in adjustment**

- Married filing jointly, married couples filing a joint tax return
- Single person or head of household
- Individual

- $100,000 or less
- $100,001 to $140,000
- $140,001 to $190,000
- $190,001 to $240,000
- $240,001 to $320,000
- more than $320,000

---

**Medicare coverage** (select only one option)

- Include Medicare parts A, B, & D plus supplemental insurance premiums and out-of-pocket expenses.
- Include Medicare parts A, B & D plus supplemental insurance premiums only.
- Include Medicare parts A, B & D only.
- Include Medicare parts A & B only.
Long-term Care Coverage

Questions?