

## M INTELLIGENCE



### LONG-TERM CAREGIVING: PLAN NOW

Caregiving is a necessary conversation to have with friends and family, followed by a detailed plan that addresses practicalities.

It's never easy to talk about the possible need for future caregiving, but it's a necessary conversation to have. At least some of us, including our friends and family, will very likely need extended caregiving as we age. Caregiving can impose enormous pressure on designated caregivers unless the right plan is in place that clearly spells out actions to be taken. That's why it is important to create a plan that answers:

- Who will make decisions on your behalf?
- Are you aware of the numerous types of care available?
- Have you solidified funding sources, what they pay for, and your eligibility to qualify?

If you can answer these questions, it will help relieve your loved ones of the burden of piecing together a plan of care under duress.

Medical advancements have enabled longer life expectancies and made living a long and healthy life a reasonable hope for many. But longevity comes with a downside: the increased likelihood that health and mobility changes may require some level of care. And if the care is longer and ongoing, as is the case for cognitive decline, as well as some cancers and degenerative illnesses, the financial, emotional, and possible physical impacts to loved ones can be profound.

When planning for the risk of future caregiving needs, consider:

- Who will provide or coordinate care? If it's family, are they aware of this?
- How will caregiving expenses be paid?
- Do you prefer to age in place as long as possible at home (if it's an option) or is receiving care at a facility from the onset preferred?
- Will you live in the same location today as later in life (retirement) and, if not, is that future location the preferred geography if care is needed?

Here is some essential information to help you get started.

### WHAT IS LONG-TERM CARE?

From a technical insurance perspective, Long-Term Care (LTC) is the assistance you need when a serious illness or disability renders you unable — physically or cognitively — to perform one or more Activities of Daily Living (ADLs) for a period of 90 days or longer. Caregiving assistance can be delivered in a variety of settings, which include a nursing home, assisted living facility, or at home, but is not a hospital (which is considered acute medical care).

## Activities of Daily Living

- Bathing
- Eating
- Dressing
- Toileting
- Continence
- Transferring

## PLANNING CONSIDERATIONS

### LTC TRIGGERS

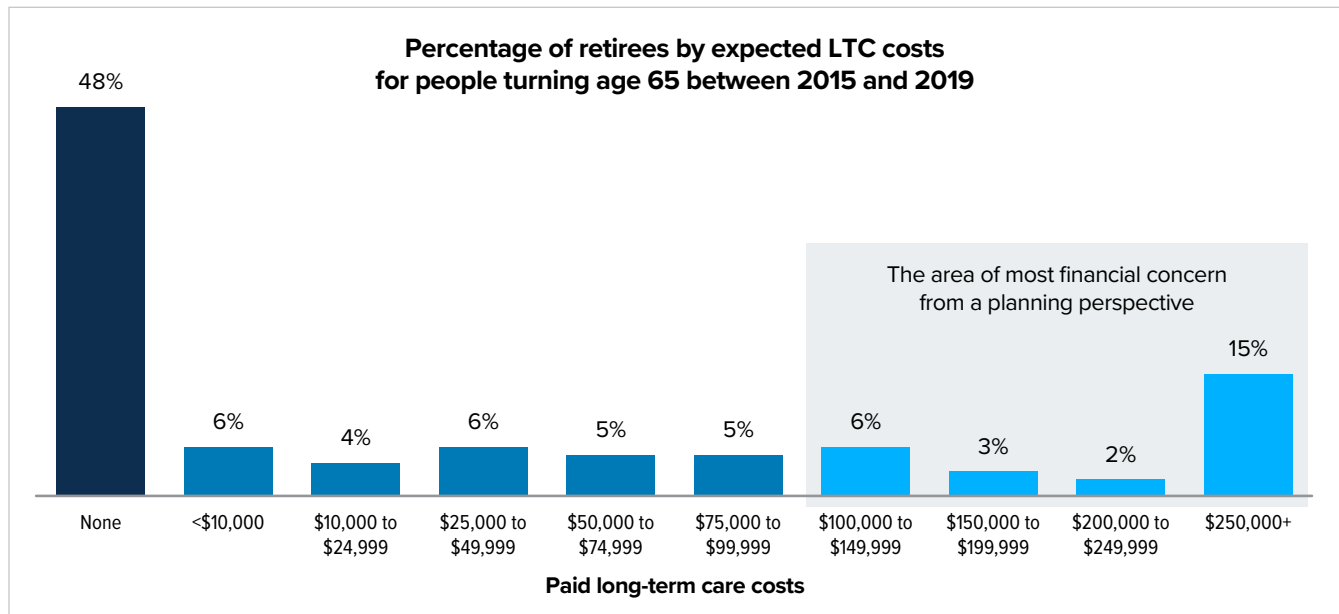
Alzheimer's disease is by far the leading cause of LTC and has the lengthiest duration of care claims. Cognitive impairments that impact the nervous system such as multiple sclerosis and Parkinson's disease can also necessitate caregiving.<sup>1</sup> Cancer, particularly for those over the age of 65, is also a leading cause of

caregiving, especially for those receiving care at home. It's challenging to predict if, or when, these ailments may impact us, but family history may provide insights.

### DURATION OF CARE

The length of a caregiving event is the top concern and is also the biggest planning challenge.

On average, three years of care are needed, according to the Department of Health and Human Services,<sup>2</sup> but duration can vary widely. Duration risk can also be measured by dollars spent on care. At least half of all individuals turning age 65 won't spend anything on LTC, but a quarter of those turning 65 will spend over \$100,000, with 15% spending over \$250,000.<sup>3</sup>



### TYPES OF CARE

Care varies depending on need and the severity of the condition. Most individuals prefer home care, or "aging in place." Care at home is typically less expensive than receiving care in an outside facility. If you want a friend, family member, or spouse to care for you, consider:

- Will they be physically able to provide care? If a spouse, will they survive you?

- Have you had a discussion with them? Do they want to provide care?
- How will this impact their lifestyle, health, and other obligations (both time and cost)?
- The financial impact, and whether you are sufficiently prepared to provide caregivers with the financial resources needed to ensure adequate care.

<sup>1</sup> American Association for Long-Term Care Insurance, 2015 Sourcebook

<sup>2</sup> National Clearinghouse for Long Term Care, Department of Health and Human Services, 02/18/2020  
<https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>

<sup>3</sup> Source: Assistant Secretary for Planning and Evaluation (ASPE) Issue Brief, Long-Term Services and Supports for Older Americans: Risks and Financing, ASPE Research Brief, revised February 2016, Table 5.

TYPE OF CARE	DESCRIPTION
<b>Family/Friend</b>	Some individuals prefer a known caregiver and home care. This is often the closest living relative, or a friend or neighbor.
<b>Home Health Aide</b>	Home health aides may offer care to individuals who need more extensive personal care than family or friends are able, or have the time or resources, to provide. This allows the individual to remain in their own home.
<b>Homemaker Services</b>	Homemaker services aides may clean houses, cook meals, or run errands. These services make it possible for individuals to live in their own homes, or to return to their homes, by helping complete household tasks that couldn't otherwise be completed alone.
<b>Adult Day Healthcare</b>	Care is provided at a community-based center for adults who need assistance or supervision during the day, but who do not need around-the-clock care. These centers may provide health services, therapeutic services, and social activities. They can offer a much-needed break to caregivers who have other obligations during the day.
<b>Assisted Living Facility</b>	Personal care and health services are provided for people who may need assistance with ADLs but who wish to live with some independence and do not need nursing home care.
<b>Nursing Home</b>	Residents receive personal care, room and board, supervision, medication, therapies and rehabilitation, as well as skilled nursing care 24 hours a day. This is for individuals who may need a higher level of supervision and care than in an assisted living facility. Both private and semi-private rooms may be available.

## COST OF CARE

The type of care and where it is provided determine cost. When planning, research costs for your current living location and also any potential retirement

locations. Below is a sampling of average monthly costs by location and facility.<sup>4</sup> There are many calculators to help research these expenses.

## MONTHLY COSTS OF CARE\*

FACILITY TYPE/ GEOGRAPHIC AREA	NURSING HOME – Private Room	NURSING HOME – Semi-Private Room	ASSISTED LIVING FACILITY	HOME HEALTH CARE AIDE	ADULT DAY CARE
<b>5-Year Growth Rate by Care Type (National)</b>	3.00%	3.01%	3.62%	3.71%	1.45%
<b>Philadelphia, PA</b>	\$12,798	\$11,285	\$5,550	\$4,767	\$1,842
<b>Seattle, WA</b>	\$11,954	\$10,624	\$6,750	\$6,673	\$2,027
<b>Tampa, FL</b>	\$11,391	\$9,946	\$3,225	\$4,576	\$1,993
<b>Los Angeles, CA</b>	\$10,570	\$8,060	\$5,000	\$5,529	\$1,647
<b>Lawrence, KS</b>	\$8,912	\$7,863	\$5,280	\$4,004	\$3,900

\*Home Health Care Aide — Based on annual rate divided by 12 months (assumes 44 hours per week). Nursing Home and Adult Day Care — Based on annual rate divided by 12 months. Assisted Living Facility — As reported, monthly rate, private, one bedroom.

<sup>4</sup> Source: Genworth Cost of Care Survey, conducted by CareScout®, August 2020, <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

## FUNDING CAREGIVING EXPENSES

A key part of LTC planning is its financing, and an understanding of different programs and insurance

coverage is essential to avoid misconceptions. Funding options include:

TYPE	DESCRIPTION
<b>Medicare</b>	Will pay for LTC in limited situations. If you had a recent hospital stay of three days, were admitted to a nursing facility within 30 days, and needed skilled care, you may qualify. Only part of the cost is covered up to 100 days, and Medicare does not typically cover home care.
<b>Medicaid</b>	Only covers nursing home services, after spending down assets as defined by state requirements and applicable look-back rules. Medicaid does not pay for home care, but will pay after impoverishment. Care is also subject to the availability of nursing homes that accept Medicaid payment.
<b>LTC Insurance</b>	Provides benefits after an individual qualifies for coverage as defined by the purchased policy. Modern policies cover all qualified services from home care, adult day care, assisted living, and nursing homes. There are a variety of LTC insurance alternatives including those that only pay for LTC expenses, but also alternatives as mentioned below.
<b>Life Insurance</b>	Policies may provide accelerated death benefits and/or additional benefits to be used for long-term care expenses.
<b>Annuities</b>	Provide guaranteed income for a defined period of time. Some policies may pay additional benefits if LTC services are needed.
<b>Self-Fund</b>	An individual's personal assets fund LTC expenses.

High net worth (HNW) individuals often prefer to self-fund the cost of care, but should consider:

- **Income** pays for care, not assets. If assets are sold:
  - Are there market timing issues, liquidity issues, or tax consequences?
  - Will selling erode principal needed to generate retirement income for a spouse?
- What are the impacts to other planned expenses for everyday lifestyle needs and/or to a surviving spouse?
- What are the impacts to other financial goals? These may include charitable contributions and gifts to children/grandchildren.

The end goal of having a LTC plan is to establish funding and define your desires, so that a family can manage care effectively instead of struggle to provide adequate care.

### THINK, DECIDE, COMMUNICATE

Communicate your wishes to your spouse, children, and close friends. You may want to complete legal documents that give your potential caregiver(s) the legal authority to make decisions if you are unable to do so.

Longevity and retirement planning require careful evaluation and design. Contact a financial professional to understand the solutions available that best fit your situation.

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