



RCU INVESTMENT REVIEW

Information from Redwood Credit Union and CFS to help keep your financial life in balance.

June 2006 – Focus on Long-Term Care

What is Long-Term Care?

It is a variety of services that includes medical and non-medical care to people who have a chronic illness or disability. Long-term care helps meet health or personal needs. Services can be provided in a nursing home, assisted living facility, or in the home. Long-term care usually involves non-medical help with such daily tasks as bathing and dressing. It is important to remember that you may need long-term care at any age.

Why Would I Need It?

Most people are under the assumption that life, health, disability insurance, and government programs will be available to cover the costs of long term care. If that's what you're counting on, think again. Medicare coverage generally does not cover long-term care services. It is intended for medically necessary skilled nursing facilities or home health care. In order to qualify for long-term coverage under Medicare you must meet certain strict conditions.

Statistics

According to the statistics provided by The Official U.S. Government Site for Medicare:

- ❖ This year about nine million men and women over the age of 65 will need long-term care.
- ❖ By 2020, 12 million older American will need long-term care.

A study by the U.S. Department of Health and Human Services says that people who reach age 65 will likely have a 40 percent chance of entering a nursing home.

Average Costs

Based on a market survey prepared by American's Health Insurance Plans, the average rate for one year in a nursing home can average more than \$50,000. In some regions, it can easily cost twice that amount. Home care is less expensive but can still add up to a substantial amount. If in-home aide is required three times a week to help with basic health or personal needs the costs can easily exceed \$1,000 a month or \$12,000 a year. Additional costs might be incurred if specialty help is required, for example physical therapy.

Shopping Tips

Shop Early. You may be able to take advantage of lower premium rates the healthier and younger you are.

Consider Only Well Known Providers. Work with a reputable, well established company. You want to be assured that the company will be in existence for a long time.

Consult a Financial Professional. It is best to work with a broker who deals with several companies and knows the policy nuances. Financial professionals can help you with a variety of issues to help you make smart decisions about your long-term plans.

Further Reading:

Long Term Care Planning: The Complete Idiot's Guide to Long-Term Care Planning by Marilee Driscoll. In her book she examines why long term care is necessary in order to preserve your financial security.

Long-Term Care: Your Financial Planning Guide by Phyllis Shelton. Outlines how to design a strategy for long-term care planning. Includes data on financing, various insurance policies, reverse mortgages, Medicaid, and Medicare.