

Is Long-Term Care Insurance Worth it?

Financial experts say that long-term care insurance is the best way to cover the sky-high costs of long-term care. Long-term care is not a bridge you want to simply *cross when you get there*. You need a plan.

Monthly premiums are well worth the benefit later on when those in-home care or assisted living bills start piling up. And your family won't be burdened with handling everything, including pitching in on the bill (that's one tab you don't want to go halvesies on).

With long-term care insurance, you'll enter your golden years knowing you have a plan. And your quality of life will be higher than if you were constantly trying to cut costs.

What Is Long-Term Care Insurance?

Long-term care insurance is a type of coverage that helps offset the costs of long-term care as people age. It covers most of the expenses that aren't covered by Medicare—things like assisted living facilities, nursing homes, in-home modifications and caretakers. It also helps pay for things like care management, medical equipment and adult day care services.

Even though we don't like to think about it, nearly everyone will need some kind of long-term care. Of 65-year-olds living today, 70% of them will need long-term care. And 20% will need it for more than five years. That's not something you want to risk. But only 7.5 million Americans have some kind of long-term care insurance.

What is the Care Cost of Care?

We hate to be the bearer of bad news, but long-term care is really expensive. The cost of care has sky-rocketed in recent years.

The average cost in America for just one month in a nursing home is \$7,698. Yikes! And the Alzheimer's Association estimates that care for the last five years of the average person's life is \$234,000 and \$367,000 for those with dementia. The average American will end up paying \$172,000 for long-term care.

There's no other way to say it: Long-term care will cost you a pretty penny. Even if you have a strong Health Savings Account (HSA) in place, you still don't want to dip into that to pay for long-term care.

And keep in mind that regular health insurance won't cover these costs since long-term care is not considered medical care. Medicaid—the government program for people with low income—should also not be your first choice. For Medicaid to even cover some long-term care, you'd have to first use up your assets. Not a good plan.

How much does LTC insurance cost?

The cost of long-term care insurance varies depending on your age, gender, health status, family health history, location and whether you're married. Annual premiums range from \$1,000 to about \$10,000. You'll also pay more with a longer policy term, a bigger benefit or add-ons like inflation protection. The cost can also change based on which carrier you use, even if it's for the exact same policy.

The **average 55-year-old male** will pay \$1,700 per year for a three-year policy. That will cover \$164,000 in long-term care and a daily max of \$150.

The **average 55-year-old woman** will pay \$2,675 for the same coverage. This is because women outlive men by about five years and need an average of 3.7 years of care as opposed to only 2.2 years for the average man.

The **average 55-year-old couple** will pay \$3,050 a year for a combined policy. The couples discount ranges from 15% to 30% depending on where you live.

But no matter what you end up paying per month, long-term care insurance is still a great buy.

Pros of Long-Term Care Insurance

If you're not convinced yet and are still wondering if long-term care insurance is worth it, let's break it down.

1. You'll have a plan in place.

Unless you have a really high net worth and can self-insure, long-term care insurance is the best plan to cover the costs of aging. Relying on the government or your family or friends is not a very good plan.

2. You won't have to dip into your savings.

You know all that money you scratched and saved for during your life for retirement? Well, that nest egg could get broken pretty quickly by long-term care costs. Protecting your assets is a huge benefit of long-term care insurance. If you're married, you want to make sure your spouse is taken care of. The last thing you want is to burn through your savings for one of you, having nothing left over for the other to live on.

3. Monthly premiums are usually reasonable.

Another pro to long-term care insurance is that, depending on your age and health, your monthly premium will probably be pretty affordable. The average 55-year-old male would pay around \$142 a month. That's not bad considering how much you get in return.

4. You'll be able to live in your home longer.

Many don't realize that long-term care insurance covers things like in-home modifications (think wheelchair ramp) as well as caretakers and care management services. These can help take stress off you and your family members. And it means you'll be able to live longer in your home sweet home.

5. Your family won't have the full burden of care.

Many assume their friends and family will handle all of their long-term care. But this isn't always the case. And it can be a huge burden on loved ones to help with the day-to-day care of an aging person, especially when conditions like dementia are involved. Also keep in mind that taking care of a sick, elderly person is nothing like taking care of a young child.

Instead of relying solely on family, your insurance company will pay for caretakers to carry some of that heavy load. So, you and your loved ones can enjoy your time together without the stress of managing constant care. Your family also won't have to worry about footing the bill.

6. You'll pay less in taxes.

Long-term care insurance premiums are tax deductible up to a certain limit. This means you'll pay less in taxes and keep more of that hard-earned money in your pocket.

7. You'll have peace of mind.

We saved the best for last. The peace of mind you'll have knowing you have a long-term care plan in place is *worth its weight in gold*. You'll sleep better at night knowing you'll be taken care of, and your family won't be overburdened.

What to Consider in a Long-Term Care Policy

The daily benefit is the maximum amount your insurance company will pay per day for care. Check the costs of care in your state to get an idea of how much you might need. If your daily benefit is \$150, and the daily costs of care in your area are significantly higher than that, you should probably bump up the daily benefit.

When is a good time to get LTC Insurance?

The longer you wait, the more chances you might be denied coverage. In fact, research shows that around 22% of people in their 50s were denied. This number jumps to 33% for those in their 60s and a whopping 44% of people in their 70s.

Even if you just have a few small health conditions, it might be difficult to get coverage after a certain point. Insurance companies are all about dealing with risk. And if they deem you to be too risky, you'll potentially be left without coverage. We recommend having it in place prior to age 60.

So, you've decided long-term care insurance is worth it, but how do you actually buy it? You should work with an independent insurance agent who has access to all of the top-rated insurance companies.

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