

## New Advantages to Long-Term Care Planning



Up to [69% of individuals turning 65 this year](#) will need some level of long-term care. Individuals who require a room in a nursing home can expect to pay over [\\$7,000 per month](#) for their care, and those in an assisted living facility may pay [more than \\$4,000 monthly](#). Without proper planning, long-term care expenses have the potential to impact your life savings or put a financial burden on your family members. By establishing a long-term care plan early, you can enjoy the peace of mind that comes with knowing your financial future is secure.

### What Is Long-Term Care?

Long-term care describes a range of services that help someone care for themselves. Often, it is provided by skilled caregivers either at home or in a facility devoted to assisting people complete Activities of Daily Living (ADLs), of which there are six: eating, bathing, dressing, toileting, transferring between a bed and a chair, and caring for incontinence.

While health insurance covers immediate medical conditions and ongoing treatment, very few policies cover prolonged care at a residence or nursing home. This care is most often required as a result of a chronic physical condition, illness, disability, or cognitive impairment. As opposed to most medical care, long-term care is not designed to cure a medical condition.

### How Much Does Long-Term Care Cost?

The cost of long-term care depends on various factors including your age, gender, health status, and living arrangements. Cost generally increases with age, the level of medical care required, the duration of care, and the location where care is provided. For rough planning purposes, the national median is currently [over \\$100,000 a year for a private room in a nursing home and nearly \\$55,000 a year for assisted living or trained home services](#). These costs are likely to increase with inflation by an estimated 2.5% per year.



It's important to note that the majority of these costs will not be covered by health insurance, Medicare, or the VA. Health insurance and Medicare generally cover long-term care costs that are rehabilitative, short in duration, and medically necessary – and are not designed to cover the custodial and personal care services provided by long-term care.

VA long-term care services are available only to veterans enrolled in the VA health system for service-related disabilities and to certain veterans based on income eligibility. The VA does not pay for room and board in live-in facilities but does have programs to help veterans stay in their homes like the VA Aid and Attendance and Housebound Allowance programs and the Veteran-Directed Home and Community Based Services Program (VD-HCBS). Both programs are supplemental, have eligibility requirements, and require co-pays that vary with the veteran's income. Visit the [VA website](#) for more information.

Medicaid, however, will pay for a large share of long-term care services, but to qualify, your income must be below a certain level and you must meet minimum state eligibility requirements. These requirements are based on the amount of assistance you need with ADLs.

### **How Do You Plan for Long-Term Care?**

There are a few different strategies to prepare for long-term care costs, so it is important to consider which would be best for your family and financial situation.

**1: Plan to self-fund the costs.** Pay for the cost of long-term care yourself or ask family members to help you pay.

**2: Purchase a traditional long-term care insurance policy.** Most long-term care insurance policies cover your expenses in the event you are unable to perform two ADLs or in the event of cognitive impairment. Many of these policies require a premium payment until death or qualified long-term care claim; premiums are usually not fixed and can increase. The number of insurers offering traditional long-term care policies has also fallen from 125 in the early 1990's to approximately 15 today.

The [Federal Long Term Care Insurance Program](#) is open to active and retired servicemembers and their spouses. Note that with Federal Long Term Care and most other long-term care insurance options, there is medical underwriting, and not everyone who applies is approved. Once you leave the military, you can keep your Federal Long Term Care insurance as long as you continue to pay the premiums. It is important to keep in mind that long-term care insurance *only* covers long term care costs, so there is a chance you will never see a benefit from premium payments.

**Note:** Recent legislation known as the "[WA Cares Fund](#)" mandates that workers in Washington state have long-term care insurance to offset eligible long-term care-related expenses. The program will be funded by a mandatory payroll tax paid by workers in Washington beginning in January 2022. Employees may opt out of the mandatory program if they purchase their own long-term care insurance policy and apply for and are approved for an exemption by the Washington Employment Security Department (ESD). Employees must purchase their private policy before November 1, 2021, and must apply for an exemption to ESD between October 1, 2021 and December 31, 2022.

**3: Purchase a life insurance policy with an accelerated death benefit.** Some life insurance policies, like our [Flagship Whole Life Insurance](#), offer settlement options that allow access to your death benefit in the event you that are unable to perform two ADLs, much like a traditional long-term care insurance policy. It should be noted, however, that while these policies have long-term care features, they are *not* long-term care insurance. The main advantage of this strategy is that premium payments result



in a guaranteed benefit even if you never need to use the accelerated death benefit feature to pay for long-term care. Fixed-rate premiums are also possible with these types of insurance policies.

### **Who Should Plan for Long-Term Care?**

While not everyone will end up needing long-term care, everyone should plan for the possibility. Planning in advance allows you to select a strategy that meets your specific needs and gives you control over the type and quality of care you may receive. It will also allow you to have less dependence on others, protecting both your assets and your financial legacy.

**Not sure where to start?** Navy Mutual is here to help. [Schedule an appointment](#) with a representative or email [counselor@navymutual.org](mailto:counselor@navymutual.org).