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What should you know about long-term care?

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We all hope to remain healthy and independent throughout our lives – but life can be unpredictable. If you were ever to need some type of long-term care, would you be financially prepared?

Long-term care encompasses everything from the services of a home health aide to a stay in an assisted living facility to a long residence in a nursing home. You may never need any of these kinds of care, but the odds aren’t necessarily in your favor: Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and support in their remaining years, according to the U.S. Department of Health and Human Services.

And all types of long-term care can involve considerable financial expense. The median annual cost for a home health aide’s services is more than $60,000 per year, and it’s more than $100,000 per year for a private room in a nursing home, according to Genworth, an insurance company. Furthermore, contrary to many people’s expectations, Medicare usually pays very little of these costs.

Of course, some people expect their family will be able to take care of their long-term care needs. But this may not be a viable strategy. For one thing, your family members simply may not have the skills needed to give you the type of care you may require. Also, by the time you might need help, your grown children or other family members might not live in your area.

So, you may need to protect yourself and your loved ones from the potential costs of long-term care. Basically, you’ve got two main choices: You could self-insure or you could transfer the risk by purchasing some type of long-term care insurance.

If you have considerable financial resources, you might find self-insuring to be attractive, rather than choosing insurance and paying policy premiums. You may wish to keep an emergency savings or investment account that’s earmarked exclusively for long-term care to help avoid relying on your other retirement accounts. But self-insuring has two main drawbacks. First, because long-term care can be costly, you might need to plan for a significant amount. And second, it will be quite hard to predict exactly how much money you’ll need, because so many variables are involved – your age when you start needing care, interest rates or inflation, the cost of care in your area, the type of care you’ll require, the length of time you’ll need care, and so on.

As an alternative to self-insuring, you could purchase long-term care insurance, which can provide benefits for home health care, adult day care and assisted living and nursing home facilities. However, you will need to consider the issues attached to long-term care insurance. For one thing, it can be expensive, though the younger you are when you buy your policy, the more affordable it may be. Also, long-term care policies typically require you to wait a certain amount of time before benefits are paid. But policies vary greatly in what they offer, so, if you are thinking of buying this insurance, you’ll want to review options and compare benefits and costs.

In any case, by being aware of the potential need for long-term care, its cost and the ways of paying for it, you’ll be able to make the appropriate decisions for your financial situation, your needs and your loved ones.

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