

HANDLE WITH CARE

Planning for the Cost of Long-Term Care Is an Important Part of Retirement Planning

Thinking about how you'll pay for long-term care should be a part of everyone's retirement planning process.

A recent study found that most Americans don't have any idea of the cost of long-term care. Even more alarming, many Americans believe that if they do need long-term care, the government will pay for it. In reality, Medicare typically covers only three months of nursing home care, and only if you spend time in a hospital first.

Medicaid's coverage of long-term care doesn't start until you have exhausted nearly all your savings. In addition, while Medicaid covers nursing home care for people who qualify, coverage of in-home health services is limited. And it doesn't cover assisted living at all. Qualifying for Medicaid is more difficult than ever.

Good long-term care planning could help give you more options should you require institutional care. Following are some steps to consider:

Long-term care insurance. These policies are still relatively new, but they're becoming more flexible. Along with nursing home care, some policies cover in-home care and the cost of an assisted living facility. The cost varies, depending on your age, when you buy the policy and the services covered.

The younger you are, the lower your premiums, which is why many financial planners suggest buying a policy when you are in your 50s. However, before you buy a policy,



make sure you can afford to pay the premiums for many years. That's because it could be a long time before you need long-term care. Many people never need nursing home care, and even those who do often stay only a few months.

Family care. Will you be relying on relatives to care for you? If so, there are some key issues to consider. Do your children or other family members live nearby? Will you pay them? Will you feel guilt over burdening them with your health problems? Will they feel burdened taking it all on? There are some really hard questions that will need to be put on the table when considering family care.

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Reverse mortgages. A reverse mortgage is a loan against your home that doesn't need to be repaid until you move, sell or die. You can receive the money in a lump sum, line of credit or monthly payments for the rest of your life.

You must be at least age 62 to qualify for a reverse mortgage. Because closing costs are typically high—up to 5% of the home's value—they're not a wise idea for homeowners who plan to move in less than five years. But if you want to remain at home, a reverse mortgage could provide money for in-home care or cosmetic adjustments to your home such as wheelchair access.



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