

LONG-TERM CARE INSURANCE



How To **PLAN** & **PAY** For Long-Term Care



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10 MYTHS ABOUT LONG-TERM CARE

INTRODUCTION

What is long-term care? It involves a variety of medical and support services designed to meet a person's health or personal care needs during a short or long period of time. These services help people live as independently and safely as possible when they can no longer perform everyday activities on their own.

Long-term care is provided in different places by different caregivers, depending on a person's needs. Most long-term care is provided at home by unpaid family members and friends. It can also be given in a facility such as a nursing home or in the community, for example, in an adult day care center.

If you're confused about the subject of long-term care, you are not alone. Most people are. To obtain a clearer idea of what's involved, consider the following myths that have sprung up concerning the subject.



MYTH #1: MY HEALTH OR DISABILITY INSURANCE WILL COVER MY LONG-TERM CARE.

Don't plan on insurance covering this type of care, unless you have long-term care insurance.

Most health insurance plans and programs cover hospital, doctor and prescription expenses related to illness or injury. Typically, even the most comprehensive plan will not pay for assistance with daily activities. The only private coverage available for such services is a long-term care insurance policy.

Disability insurance replaces the income lost when someone becomes hurt or ill. Unlike long-term care insurance, it will not cover home care, assisted-living or nursing home expenses.



MYTH #2: MEDICARE WILL COVER MY LONG-TERM CARE.

Most people incorrectly think Medicare will pay for long-term care services. For instance, half of the approximately 800 baby boomers who responded to a 2019 Insured Retirement Institute survey said they expected to rely on Medicare to pay for their long-term care needs. A 2016 AP-NORC poll found that, among respondents age 40 and older, the largest share, 38 percent, expected Medicare to foot the bill.¹

In reality, Medicare does not generally cover long-term care. Medicare pays for skilled care in a nursing home only for short periods (up to 100 days) when you are recuperating following a hospital

stay for a related condition. Once your care needs stabilize, and you need personal or custodial care, Medicare will not pay these costs.

It's true that some Medicare managed-care plans are beginning to provide modest long-term support and services, but these benefits are limited. For example, they may cover one weekly visit to an adult day program – which is far less than the personal or custodial care many people need.

1. Source: "Five myths about long-term care" – by Howard Gleckman, Washington Post, September 17, 2020: https://www.washingtonpost.com/outlook/five-myths/five-myths-about-long-term-care/2020/09/17/53c01bc2-f798-11ea-89e3-4b9efa36dc64_story.html



MYTH #3: I CAN PROTECT MY RETIREMENT SAVINGS FROM THE EXPENSE OF LONG-TERM CARE BY RELYING ON MEDICAID.

Don't count on Medicaid if the retirement you envision includes traveling, dining out frequently, or living a relaxed lifestyle with the thought that "money is no problem." Why? Because Medicaid is basically for poor people. It pays for long-term care only for people with very low assets and limited income.

A joint federal and state program, Medicaid provides for low-income individuals or those who have spent down their savings and exhausted their assets paying for the long-term care they

need. After that, Medicaid may pick up part or all allowable expenses.

Each state has its own guidelines and eligibility requirements. In most states, you can keep up to \$2,000 as an individual and \$3,000 for a married couple. The only other assets you can keep are your home, car, personal belongings, and savings for funeral expenses.¹

1. Source: "Long-Term Care (LTC) Insurance" – by Julia Kagan, Investopedia, Aug 20, 2020: <https://www.investopedia.com/terms/l/ltcinsurance.asp>

43%

MYTH #4: LONG-TERM CARE IS ONLY FOR THE ELDERLY.

Long-term care is not limited to the elderly. In fact, 43% of individuals requiring long-term care are working-age adults under the age of 65.¹

While the majority of people who require long-term care are elderly, the need for long-term care can arise at any time in a person's life. Younger people can need it anytime due to severe, unexpected chronic illnesses and diseases, as well as injuries or accidents, that require many to seek assistance with activities of daily living.

A case in point is Christopher Reeve, an athletic 6-foot-4-inch actor who became famous for

portraying Superman in four movies as well as for many other roles. At the peak of his career in 1995, he suffered a horseback-riding accident that left him paralyzed, wheelchair bound and dependent on long-term care services until he died in 2004 at age 52. The round-the-clock care he received from a team of ten nurses and aides working in his home exhausted his assets.

Youth and good health are no defense against the possible need for long-term care.

1. Source: "Long Term Care Options for Seniors" – SeniorLiving.org, March 4, 2021: <https://www.seniorliving.org/care/>



MYTH #5: MY FAMILY AND I PROBABLY WON'T NEED LONG-TERM CARE.

What makes this a myth is the word “probably.” Projections show that 7 out of 10 people over the age of 65 require some form of long-term care services in their lifetime.¹

The reason for care could be temporary, such as during rehabilitation after a surgical procedure or after an injury or illness, or to provide end-of-life medical services. Or it could be permanent, because of permanent disabilities, chronic pain, or cognitive impairment, such as that caused by brain injury, Alzheimer’s or dementia.

The need for long-term care can be instantaneous, such as after a car accident, a stroke or heart attack. Generally, however, it develops gradually, as individuals age and become frailer or as an illness or disability worsens.

By the time individuals reach the age of 75, there’s a 50% chance they’ll need long-term care.¹

1. Source: “Long Term Care Options for Seniors” – SeniorLiving.org, March 4, 2021: <https://www.seniorliving.org/care/>



MYTH #6: MY FAMILY WILL BE ABLE TO CARE FOR ME.

While families do and will continue to provide care for loved ones, it is often not practical or even feasible, for a variety of reasons:

- It's impossible to know for certain whether your family will be available to care for you when the time comes. That's especially true in today's society where children are more apt to live further away from parents.
- One of the great fears of old age is loss of autonomy, and many older adults resist losing that autonomy by allowing their children to take over their lives.
- The type of care you need may be beyond a family member's abilities. The care might require professional help or a stay in a nursing home or assisted living facility.
- For many married couples, because the wife often outlives her husband, she is less likely to have someone nearby who can provide care for her.
- Caring for a family member is a time-consuming, mentally and emotionally challenging endeavor, and providing that care can be a significant financial burden.

In the end, most people feel guilty about burdening family members with the responsibilities of providing care. At the same time, their family members often feel guilty about their inability to slow their loved one's decline. The result can be a toxic situation for everyone.



MYTH #7: LONG-TERM CARE = “NURSING HOME.”

“As the author of a book on caring for older adults,” Washington Post writer Howard Gleckman says, “I’m often invited to speak to consumer groups about programs and services for frail older adults. In those sessions, I ask what comes to mind when I say ‘long-term care.’ At nearly every event, most audience members respond by saying ‘nursing homes.’”¹

Indeed, nursing home care is so synonymous with aging that long-term-care insurance is often called “nursing home insurance” – even though nearly all new policies cover care in all settings, including at home. It is like calling auto insurance “Honda insurance.”

The reality is that 14 million adults in the United States need long-term supports and services, ac-

ording to AARP, based on government data. Of those, only about 700,000 are long-stay residents of nursing homes. Roughly 600,000 receive short-term post-acute care in skilled-nursing facilities, and about 500,000 are in assisted living or other long-term care facilities.¹

The remaining 12 million, 85 percent, live in their own homes or with relatives. In other words, the bulk of long-term care services are not provided in nursing homes.¹

1. Source: “Five myths about long-term care” – by Howard Gleckman, Washington Post, September 17, 2020: https://www.washingtonpost.com/outlook/five-myths/five-myths-about-long-term-care/2020/09/17/53c01bc2-f798-11ea-89e3-4b9efa36dc64_story.html



MYTH #8: IT IS ALWAYS BETTER TO AGE IN PLACE.

According to AARP, 75% of Americans age 50 and older want to stay in their own homes as they age.¹ But aging at home is not always the best option.

That can be especially true in today's broken system of long-term care. It requires a strong support network, including active and informed family caregivers or a highly engaged community. People aging at home must overcome two challenges:

- First, the maze of services is often beyond their capacity to navigate. They may need to arrange home modifications, home care aides, transportation, medications, meal deliveries, adult day programs and coordination among many health-care providers.

- Second, living alone at home can be terribly isolating, which is itself a serious health risk. Imagine an 85-year-old widow with dementia living alone in a suburban cul-de-sac, unable to leave her home or see visitors because of the risks of the coronavirus.

Some older adults now living in facilities could have theoretically remained at home. But for others, safe and fully supportive aging in place is unrealistic.

1. Source: "Older Adults Keep Pace on Tech Usage" – by Brittne Nelson Kakulla, AARP Research, January 2020: <https://www.aarp.org/research/topics/technology/info-2019/2020-technology-trends-older-americans.html>



MYTH #9: MY SAVINGS WILL COVER MY LONG-TERM CARE.

This may apply for some people, but not for everyone, especially considering the potential cost of long-term care. That cost will depend on a variety of factors.

One factor is time: for what length of time will care be required? According to the U.S. Department of Health and Human Services, one-third of today's 65 year-olds may never need long-term care support, but 20 percent will need it for longer than 5 years. On average, women need 3.7 years of care while men need 2.2 years.¹

The ultimate cost of long-term care also varies based on care setting, geographic location of care

and level of care required, among other things. According to long-term care insurer Genworth, national median costs for long-term care range from \$4,481 per month for in-home homemaker services to \$8,821 per month for a private room in a nursing home.²

With costs like these, the nest eggs of many retirees may fall short of covering the long-term care they need.

1. "How Much Care Will You Need?" – U.S. Department of Health and Human Services, Oct 15, 2020: <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>

2. Monthly Median Costs: National (2020): <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>



MYTH #10: I CAN PLAN FOR MY LONG-TERM CARE NEEDS ON MY OWN.

This might work out for some, but most people will likely benefit from the knowledge of a financial advisor. An advisor can help you look at the various options for funding long-term care and help you select what's right for you and your circumstances. Options include the following.

Long-Term Care Insurance. This might be the most expensive, but the most effective option, especially if you require care for an extended period of time. Like any insurance, it's a "pain" to pay for it, because you realize you may never use it, but if you do need it, it can be your BFF, best friend forever. Should this be your option of choice, it's best to buy it when you're in good health and relatively young, by age 50, when premiums are lower.

Hybrid Policies. This also is an insurance-based option. Some people may find it best to opt for long-term care insurance that is used in conjunction with their life insurance policies. A so-called "hybrid" long-term care insurance, this option can provide health coverage over and above your death benefit. Any money used for long-term care will reduce your death benefit first. You also can purchase life insurance with a long-term care rider.

Health Savings Account (HSA). If you enjoy saving on taxes, this option could be just the thing for you. HSAs offer not one, not two, but three tax advantages. First, contributions are tax-deductible. Second, those contributions can be invested and grow tax-free. Third, withdrawals are not taxed as long as you use them for qualified medical expenses, such as doctors' visits, prescription drugs, dental care, and long-term care costs. They even include acupuncture and substance-abuse treatment. Investment manager Shelby George at Manning & Napier in Fairport, New York, says, "There's no other vehicle under the tax code that has the kind of preferential treatment that health savings accounts have."¹

These and other options are extremely personal, and there is no right answer that fits everyone. A financial advisor can not only help you determine what's right for you, but also work the option into an overall financial plan designed to help you achieve the retirement you envision.

1. Source: "The Triple Tax Benefit of Health Savings Accounts" – By Kate Stalter, U.S. News & World Report: <https://alphafa.com/the-triple-tax-benefit-of-health-savings-accounts/>

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