The Financial Risk of Long Term Care

"I want to die with my boots on," my Dad—a commercial fisherman--used to say. I'd smile, because dying or disabling illness was way off my radar screen.

I am now the age that my Dad was when he used to say this, and my radar has me navigating by some new realities that include the inevitability of my demise and the possibility of eventual disability.

40% of those receiving long term care in the United States are between the ages of 18 and 65. So I know that independent, unassisted living is a concern not just for those who I think of as "old." Rather it is something that needs to be taken into consideration by all of us in making our financial plans—especially by the time we reach our Fifties.

When my father seemed headed for a nursing home, we discovered that the most convenient home cost $10,000 per month, while the veterans' home cost $8,000 per month. The national average cost is $150 per day.

Most of us will not "die with our boots on." A majority of will spend some period of our life in a skilled nursing facility. It may not happen to us; but it is more likely than not to happen to us. How do we take account of the potential financial cost?

Government. Medicare does not cover long term care. MediCal requires spending down one's assets into poverty before providing coverage.

Family. If we have children, do we wish them to bear this expense—even if they were able? Even exhausting their inheritance may not cover costs.

Self. A general guideline is that if our assets are under $250,000, we should consider relying on MediCal; if our assets are over $3-4 million, we should absorb the financial risk ourselves. However, for those who are in the $250,000 to $3 million range—which is most of us—long term care insurance makes sense.

Insurance. There are two basic approaches to long term care insurance: Traditional, and Deposit-Based. In **Traditional** long term care insurance, one pays a regular (monthly, quarterly or annual) level premium for a lifetime in order to maintain coverage. In this respect, it is similar to homeowners paying for fire or casualty insurance.

Deposit-Based insurance, on the other hand, involves a one-time transfer of money into a cash-value life insurance policy that includes long term care benefits. With deposit-based insurance, if long term care benefits are never needed, the policy will pay a death benefit to designated survivors, the church or another charity.

Personal circumstances will determine which approach to long term care insurance is more suitable. In either case, the cost of the insurance must be weighed against the risk of not having insurance. After 5 or 6 decades of life, considering the risks of long term care becomes a part of our stewardship of the life and assets that God has given us. "Caring For Tomorrow," an excellent California state publication, is available by contacting the Gift Planning Office.

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